

DAILY REPORT

CONTENTS

China

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PRC INTERNATIONAL AFFAIRS

GENERAL

Reportage on U.S.-Libya in Gulf of Sidra	A 1
XINHUA Examines 'Feud'	A 1
RENMIN RIBAO on Conflict [26 Mar]	A 2
U.S. Press on Clash	A 3
Gorbachev Criticizes U.S.	A 4
Gorbachev Calls for Withdrawal	A 5
U.S. Ignores Soviet Offer	A 5
USSR's Policy Toward Afghanistan, Cambodia	A 6

UNITED STATES

RENMIN RIBAO Comments on U.S. Policy on Nicaragua [25 Mar]	B 1
U.S. Groups Lobby for Increased Exports to USSR	B 2

SOVIET UNION

PRC Delegation to USSR on Nuclear Technology	C 1
Roundup Views USSR Economic Reform Movement	C 1

SOUTHEAST ASIA & PACIFIC

New Zealand's Prime Minister Continues Visit	E 1
Zhao Ziyang Welcomes Lange	E 1
Zhao, Lange Exchange Speeches	E 1
Zhao, Lange Hold Talks	E 2
Wan Li, Hu Qili, Lange Meet	E 3
Li Hou Visits NPC Deputies From Hong Kong, Macao	E 3
Roundup Views SRV Economic Disorder	E 3
CHINA DAILY Backs CGDK Peace Plan for Cambodia [27 Mar]	E 4
RENMIN RIBAO Denounces Vietnam on Cambodian Issue [21 Mar]	E 5
CGDK Defense Coordination Committee Meets	E 6

SOUTH ASIA

Meese Reaffirms U.S. Support for Afghans	F 1
India Not To Renew Oil Contract With USSR	F 1

WESTERN EUROPE

Han Nianlong Meets FRG Socialist Party 26 March	G 1
Danish Prime Minister Schluter Arrives in Xian	G 1
Italian Journalist Interviews Hu Qili	G 1

EASTERN EUROPE

Husak Speaks on Foreign Policy at CPCZ Congress	H 1
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MIDDLE EAST & AFRICA

Li Xiannian Hosts Return Banquet for Ratsiraka	I 1
Lays Wreath	I 1
Presidents Hold Talks	I 1
Leaves for Home	I 2
Chen Muhua on Overseas Chinese Policy	I 2

PRC NATIONAL AFFAIRS

Ten Sections of Seventh 5-Year Plan Summarized	K 1
Drafting of Plan Explained	K 1
Plan Highlights, Part One	K 2
Part Two	K 3
Part Three	K 3
Part Four	K 3
Yang Dezhilai: Phase One of PLA Reorganizing Complete	K 4
Song Ping Interviewed on Planning Work	K 5
[LIAOWANG 24 Mar]	
Appointing Cadres on Merits Stressed	K 8
[RENMIN RIBAO 18 Mar]	
Improper Means for Correcting Unhealthy Trends Seen	K 9
[RENMIN RIBAO 24 Mar]	
Creative Freedom, Social Obligations Examined	K 10
[GUANGMING RIBAO 7 Mar]	
Literature, Art Serving Two Civilizations Urged	K 15
[HONGQI 16 Mar]	
Supply Improvement, Demand Control Discussed	K 16
[RENMIN RIBAO 10 Mar]	
JINGJI RIBAO Discusses Price Problem Issues [15 Mar]	K 22
LIAOWANG on PLA Contributions to World Peace [17 Mar]	K 24
Tian Jiyun Inspects Hubei, Stresses Agriculture	K 26
Commentary Urges Horizontal Economic Cooperation	K 28
State Council Issues Economic Association Rules	K 28
CYL Circular Stresses Ideological Education	K 29
Wang Zhaoguo Attends CPPCC Group Discussion	K 29
Former Vice Premier Chen Yonggui Dies at 72	K 29
XINHUA Report Identifies Marxist Scholar	K 30

PRC REGIONAL AFFAIRS

EAST REGION

Jiangsu's Han Peixin, Gu Xiulian Present Awards	O 1
Jiangxi: Wan Shaofen on Building Old Base Areas	O 1
Zhejiang NPC Deputies Leave for Beijing	O 2

CENTRAL-SOUTH REGION

Guangdong Reclamation Farms Enjoy Preferential Treatment	P 1
Hubei To Switch People's Armed Forces Departments	P 2
Hunan: Mao Zhiyong, Other Leaders Visit NPC Deputies	P 2

SOUTHWEST REGION

Sichuan Leader on Machine-Building Industry	Q 1
Sichuan Meeting Urges Support for Spring Farming	Q 1
Xizang: Wu Jinghua Attends Rally on Party Style	Q 1
Xizang Leaders Address 'Party Style' Rally	Q 3
Xizang's Wu Jinghua at Opening of Sport Meet	Q 5
Xizang Radio Commentary on Correcting Party Style	Q 5

NORTH REGION

Beijing Rally on Transfer of Armed Forces Departments	R 1
Hebei Starts Transferring Armed Forces Departments	R 1
Shanxi 'Good Sons and Daughters' Deliver Reports	R 2

TAIWAN

CNA Views Reasons for Convening Sixth NPC	V 1
Editorial Studies ADB Membership Name Issue	V 1
[CHINA POST 20 Mar]	

HONG KONG MEDIA ON CHINA

HSIN WAN PAO Comments on Gulf of Sidra Incident [26 Mar]	W 1
Ye Xuanping Says Ye Jianying in 'Stable' Condition	W 2
[WEN WEI PO 26 Mar]	
RENMIN RIBAO Chief Editor, Deputies Appointed	W 2
[WEN WEI PO 25 Mar]	

I. 27 Mar 86

P R C I N T E R N A T I O N A L A F F A I R S
GENERAL

A 1

REPORTAGE ON U.S.-LIBYA CONFLICT IN GULF OF SIDRA

XINHUA Examines 'Feud'

OW261606 Beijing XINHUA in English 1546 GMT 26 Mar 86

[*"News analysis: Deeply-Seated Feud Stirs Up U.S.-Libya Clash"* (by Bao Guangren) --
XINHUA headline]

[Text] Washington, March 25 (XINHUA) -- The Mediterranean has again become a grisly scene of regional conflict as a U.S. Navy fleet fired at four Libyan patrol boats, sinking three and damaging the other. U.S. Navy jets also bombed a Libyan missile base and a radar base yesterday.

A White House spokesman said the U.S. fleet, which began a military exercise last week in the Gulf of Sidra, launched the attack after Libya fired six missiles at U.S. aircraft. Libya, however, condemned the U.S. encroachment in its territorial waters and air space.

The bloody incident is apparently no accident. The United States has been at odds with Libya over the Gulf of Sidra for 13 years. The intensified hostility between the two countries recently has come to a head as the United States flexed its muscles on the doorstep of the North African state.

In 1973 Libya declared that the whole area of the Gulf of Sidra was under its jurisdiction. Libyan leader Mu'ammar al-Qadhdhafi threatened to attack any forces daring to cross what he called the "line of death" in the Gulf. But the United States and other Western nations have ignored Al-Qadhdhafi's warning and have insisted on recognizing only a 12-nautical-mile territorial limit and thus regard the Gulf of Sidra as part of the high seas that allow free passage by any country.

Clashes flared as U.S. Navy forces moved into the disputed Gulf in August 1981. The result: two Libyan aircraft were shot down by U.S. jet fighters.

For five years, almost from the very beginning of his presidency, U.S. President Ronald Reagan has tied Al-Qadhdhafi to worldwide terrorism. This accusation, however, has been denied in most cases by the Libyan leader. Since then, U.S. policy toward Libya has been a blend of economic sanctions and military blackmail.

President Ronald Reagan, in his first State of the Union message to Congress on January 26, 1982, vowed to "act with firmness" toward Libya, Cuba or any other nation that "would export terrorism and subversion." He depicted Al-Qadhdhafi as "enemy no. one" of the Western world on many later occasions.

Hostilities between the two countries heated up after Reagan blamed Libya for plotting the attacks in Rome and Vienna international airports last December in which 20 people were killed. Libya however denied any involvement in the attacks. After the Vienna and Rome incidents, President Reagan ordered Americans living in Libya to leave the country by February 1 and imposed economic sanctions.

Meanwhile, a U.S. fleet was sent to the Gulf of Sidra to begin a "demonstrative" war game in January. This action incurred strong condemnation from Libya and many other Third World countries, the Arab nations in particular.

The U.S. Government, which has always tried to find ways to punish Libya, was encouraged by its rival's military constraint. So, three U.S. aircraft-carriers steamed into the Gulf of Sidra last week for a 10-day exercise, which at last stirred up the exchange of fire between the two nations.

Despite White House explanations that the U.S. attacks are merely defensive and retaliatory actions, the American press here indicated that the U.S. attack is nothing but an outburst of its pent-up outrage against Al-Qadhdhafi.

It is apparent that the Americans' crossing the "line of death" was designed to provoke Libya into a military action so that the United States could teach Al-Qadhdhafi a lesson. A Pentagon source said that even several weeks before the incident U.S. forces were put on alert and were ready to act as soon as an opportunity arose.

The United States has also long been anxious to destroy Libya's air-defense base at Sidra built with the help of the Soviets. The missile base is on the top of a list of targets in a possible U.S. counterattack proposed by the White House staff after the Rome and Vienna airport attacks last year. But the Pentagon cannot justify its action since there has been no evident link between the base and the terrorists.

- The U.S. Congress seems to condone the U.S. attacks. Still, there are some congressmen who criticized Reagan for violating the war powers act because he failed to consult with Capitol Hill before taking military action.

Many Americans are worried about the possible escalation of the U.S.-Libya conflict, which they think might cost a great number of American lives. Some others are also concerned that the U.S. punitive measures will backfire, triggering more hideous terrorist vengeance.

The Libyans are on a nationwide alert. Al-Qadhdhafi vowed yesterday that his country will "brave confrontation" with the United States as hundreds of thousands of Libyans took to the streets to protest the U.S. attacks. Suicide squads have been organized in the country which has also threatened to "execute all American experts" in the Arab world. Mounting tensions between the two feuding nations are drawing the attention of the whole world.

RENMIN RIBAO on Conflict

HK261134 Beijing RENMIN RIBAO in Chinese 26 Mar 86 p 6

[Roundup of reports by RENMIN RIBAO reporters' groups in Algiers, Cairo, Damascus, and Washington: "Grave Military Conflict Occurs Between the United States and Libya"]

[Text] Algiers, Cairo, Damascus, Washington, 25 Mar -- The Libyan news agency reported that the Libyan air defense forces yesterday brought down three U.S. fighters which invaded Libya's territorial airspace during a military exercise off the Libyan coast. Reports from Libya said a U.S. fleet yesterday invaded Libya's territorial waters in the Gulf of Sidra and U.S. fighters attacked the outskirts of Surt and some Libyan ships. In self-defense, the Libyan air defense forces brought down three U.S. fighters in the Gulf of Sidra.

The Libyan Government called UN Secretary General Javier Perez de Cuellar last night to lodge a strong protest against the U.S. air raid upon Libya, condemning the U.S. invasion of Libya as an act seriously threatening the peace and security of the region and the world, and pledging to exercise its legitimate right of self-defense to punish the United States for its invasion of the country. The Libyan Broadcasting Service said Libya would make good its pledge and deal "ruthless blows" to the invader. The Libyan people today held nationwide demonstrations against the United States.

The U.S. Government yesterday afternoon denied the report that three U.S. planes had been brought down by Libya, but announced that planes of the U.S. 6th Fleet had sunk a Libyan patrol boat and destroyed another in the Gulf of Sidra, and had raided a missile launch site in Libya proper. White House spokesman Speakes said the above U.S. operation was carried out after Libya fired six long-range missiles at planes of the U.S. 6th Fleet.

It is reported that U.S. Secretary of Defense Weinberger has announced that the current U.S. military exercise in the Gulf of Sidra will be continued, and has ordered all U.S. troops in the Mediterranean to be prepared for war. According to other reports, a spokesman for the U.S. Department of Defense said Libya fired at least six ship-to-ship missiles at U.S. warships in the Gulf of Sidra early this morning and the U.S. side "hit back at the enemy," destroying two Libyan vessels and some radar installations on the coast.

U.S.-Libyan relations have been very tense since the terrorist operations at the Vienna and Rome airports last December. The United States has repeatedly held massive military exercises near Libyan territorial waters this year. Since the beginning of this year, the serious confrontation between the two countries in the controversial Gulf of Sidra had threatened to break out into armed conflict at any moment. Libya has announced the waters in the Gulf of Sidra to the south of 32 degrees 30 minutes north latitude to be Libyan territorial waters, and intrusion of this zone by planes or warships of any country will be regarded as violation of Libya's sovereignty. However, the United States claims that the waters 12 nautical miles off the Libyan coast are high seas where U.S. vessels and planes have the right to enter. At present, 3 aircraft carriers with 240 aircraft and 30 warships of the U.S. Navy have assembled in the Gulf of Sidra to participate in the fifth military exercise this year off the Libyan coast.

Sources close to the U.S. Department of Defense revealed in private that the United States' purpose in holding military exercises is to lure Libya to wage war so that it can take the opportunity to retaliate against Libya. THE WASHINGTON POST pointed out: The United States "purposely provokes Libya to attack so that it can find an opportunity to retaliate against Libya." U.S. media also believe that the United States must have been well prepared for the conflict, in light of the capacity of the missiles used by the U.S. planes.

The current conflict has drawn the attention of all circles. Klibi, secretary general of the Arab League, denounced in Tunisia yesterday the military exercises by the U.S. fleet in the Gulf of Sidra as a violation of Libya's sovereignty. The French Government has expressed its "deep concern" over the current armed conflict and voiced its hope that the right of free communications in international waters will be "respected." Meanwhile, Italian Premier Craxi discussed the situation in the Mediterranean at a special cabinet meeting today.

U.S. Press on Clash

OW262141 Beijing XINHUA in English 2117 GMT 26 Mar 86

[Text] Washington, March 26 (XINHUA) -- The U.S. military confrontation with Libya in the Gulf of Sidra in the past two days was an action pre-arranged by the United States to "provoke" Libya into an attack on American planes so the U.S. could then retaliate, U.S. newspapers, such as THE WASHINGTON POST and THE NEW YORK TIMES said today. Press reports said U.S. President Ronald Reagan approved on March 14 the plan for the three U.S. aircraft carriers to manoeuvre in the Gulf of Sidra.

Libya claims that the Gulf of Sidra is part of its territorial waters, but the United States and other Western countries refuse to recognize the claim. "U.S. officials said Reagan decided to send (U.S.) Navy vessels into the Gulf after being told it would almost certainly lead to a military confrontation with Libya", wrote THE NEW YORK TIMES.

At a national security policy group meeting on March 1, Reagan was told that Libya would probably attack the U.S. fleet by shooting first at U.S. planes with Soviet-built SA-5 missiles. Reagan decided to give the U.S. 6th Fleet's commander the discretion on how to respond, reports said. According to THE WASHINGTON POST, U.S. aircraft carrier operations north of Libya were first ordered in late January, but the Defense Department wanted to wait until three carriers were available near the Gulf of Sidra before testing Libyan leader Mu'ammar al-Qadhdhafi's claim that the entire Gulf is Libyan territory. U.S. officials said Al-Qadhdhafi's claim presented the U.S. with 'a golden opportunity' to test Libya but not undertake any preemptive or retaliatory action against targets that had not attacked U.S. forces first." They said in that case "any U.S. response would be defensive" and "international law and public opinion would be on our side".

Press reports said earlier that a report was presented to Reagan last July which said that Al-Qadhdhafi "threatened U.S. interests," and U.S. diplomatic pressure and economic sanctions had failed to curtail his "terrorism," and that "much stronger measures should be undertaken to thwart the Libyan leader." At that time the Central Intelligence Agency and Departments of State and Defense all agreed that an "unmistakable warning was to be sent" to Al-Qadhdhafi, although it was not yet clear how, where or when. A top-secret CIA study presented last July concluded that the U.S. "had an opportunity to redraw the map of North Africa," it is reported.

Last June, the U.S. airliner TWA flight 847 was hijacked with one American killed and 39 other held hostage for 17 days. Reagan said, according to the POST, that the televised humiliation aboard the TWA jet was too much to endure and that the U.S. would act in the future. The U.S. then decided a demonstration of U.S. resolve was necessary.

Reports also said Reagan approved a CIA covert operation designed to undermine Al-Qadhdhafi. He directed that the U.S. should coordinate with its allies in the Middle East to see Al-Qadhdhafi removed from power.

U.S. anger against Libya increased last December when Rome and Vienna airports were attacked by terrorists. The CIA claimed a strong Libyan connection in the attack and anti-Qadhdhafi planning was accelerated. In January, Reagan ordered that more money and attention be given to the covert CIA plan designed to undermine Al-Qadhdhafi publicly. Reagan ordered increased economic sanctions against Libya.

U.S. officials said "seeds were sown" for the clash with Libya after those terrorist attacks and the planning for a possible battle began about the same time Reagan was imposing the economic sanctions.

Gorbachev Criticizes U.S.

OW262142 Beijing XINHUA in English 2128 GMT 26 Mar 86

[Text] Moscow, March 26 (XINHUA) -- Soviet leader Mikhail Gorbachev today condemned the United States for its "act of aggression" against Libya.

At a dinner given for visiting Algerian President Chadli Bendjedid, Gorbachev said that the U.S. military action was "not an unexpected incident but a punitive operation conceived and planned in advance."

He said that before the military act the U.S. ships conducted "provocative and threatening manoeuvres off Libya's coast" and the U.S. Administration implemented "a trade, financial and technological blockade" of Libya.

The Soviet leader stated that his country "resolutely denounces the aggressive anti-Libyan actions of the USA" and "is in solidarity with the Libyan people."

Algerian President Chadli Bendjedid arrived in Moscow Tuesday for a friendship visit.

Gorbachev Calls for Withdrawal

OW270722 Beijing XINHUA in English 0705 GMT 27 Mar 86

[Text] Moscow, March 26 (XINHUA) -- Soviet leader Mikhail Gorbachev today promised to withdraw the Soviet Fleet from the Mediterranean if the United States will "do the same."

"If the United States, which is situated thousands upon thousands of miles from the Mediterranean, pulled its fleet out of there, the Soviet Union would simultaneously do the same," he stressed. Gorbachev was speaking at a dinner in the Kremlin in honour of Chadli Bendjedid, visiting president of the Algerian People's Democratic Republic. "The Soviet Union stands for making the Mediterranean, the cradle of many civilizations, into a zone of stable peace and cooperation," Gorbachev said.

He went on to say that the Soviet Union proposals included reducing armed forces, withdrawing ships carrying nuclear weapons from the Mediterranean, renouncing the deployment of such weapons in Mediterranean non-nuclear countries, and urging the nuclear powers to make a commitment not to use such weapons against any Mediterranean country. "We are prepared to go even further. For the Soviet Union in principle there is no need to have its naval fleet in the Mediterranean on a permanent basis. The Soviet Union has to keep its ships there permanently for this sole reason: The U.S. 6th Fleet armed with nuclear-missile weapons and threatening the security of the USSR, its allies and friends is in the immediate proximity of its borders.

"We are prepared without delay to enter talks with the United States on this issue," he announced.

Referring to the upcoming second congress by the non-aligned Mediterranean countries, Gorbachev suggested the organization be extended to cover the United States and all other related countries somewhat like the Conference on European Security and Cooperation.

U.S. Ignores Soviet Offer

OW270234 Beijing XINHUA in English 0151 GMT 27 Mar 86

[Text] Washington, March 26 (XINHUA) -- The United States actually refused the Soviet Leader's offer today to withdraw the Soviet Fleet from the Mediterranean if the United States withdraw its warships there.

Asked at a regular news briefing today how the U.S. will respond to the Soviet offer, State Department spokesman Charles Redman avoided a direct answer. Redman said, "We have briefed the Soviet Union as to why we're there. That's well understood. And as a consequence, I think I'd leave my answer at that."

He said that in Moscow there have been some contacts between the U.S. Embassy and the Soviet Ministry of Foreign Affairs on the issue. But he refused to go into details.

USSR'S POLICY TOWARD AFGHANISTAN, CAMBODIA

HK260849 Beijing BAN YUE TAN in Chinese No 5, 10 Mar 86 pp 56-57

[Article by Tang Tianri: "Moscow's Offensives Along Two Lines"]

[Text] Recently, Moscow has launched offensives along two lines in Afghanistan and Cambodia, where regional conflicts are going on. One is the peace offensive. It has repeatedly shown its willingness to see a political solution to the Afghan and Cambodian issues and expressed the hope that "substantive progress" will be made in this respect in the new year. The other is the military offensive. It has further intensified its war of aggression against Afghanistan and supported Vietnam in intensifying its war of aggression against Cambodia. It has also affirmed that the Afghan and Cambodian resistance forces will be wiped out in 3-5 years, making it possible for the Afghan and Cambodian issues to "vanish by themselves."

The key to political solutions to the Afghan and Cambodian issues lies in the total withdrawal of Soviet and Vietnamese troops respectively from Afghanistan and Cambodia. Although Moscow has continuously spread news of a "political solution," it has not shown any sign of "flexibility" on the crucial issue of troop withdrawal. Before and after New Year's Day, the Soviet leaders repeatedly declared that the Soviet Union would not unconditionally withdraw its forces from Afghanistan and that only by "completely ceasing, and pledging not to resume, external armed intervention and other interventions would it be possible to reach a political solution to the Cambodian issue." Soviet Deputy Foreign Minister Kapitsa even asserted that the Soviet Union would not make any concessions on this issue. On the Cambodian issue, the Soviet Union would not like to see Vietnam unconditionally withdraw its troops from Cambodia either. The Soviet leaders had to admit that the Democratic Kampuchean National Army is "a political force" and they called on Sihanouk and Son Sann to first "sever their relations" with the Democratic Kampuchean National Army and then "get into contact and hold talks" with the puppet Cambodian regime. The Soviet Union also held that Vietnam's withdrawal from Cambodia would depend on various conditions, such as the "increased combat effectiveness" of the puppet troops, the "gradual elimination" of the Democratic Kampuchean resistance forces, and a "pledge to realize a peace zone" in Indochina by the international community.

Obviously, the essence of such a "political solution" and Moscow's intention in designing such a blueprint are that: First, Moscow is attempting to disintegrate, crush one by one, and finally wipe out the Afghan and Cambodian resistance forces with the tactics of defeating them without a battle in order to achieve the objective which it could not achieve on the battlefield. Second, through the so-called "international guarantee" it is attempting to lure the international community into giving up the community's support for the Afghan and Cambodian resistance forces and accepting the Soviet invasion and occupation of Afghanistan and the Vietnamese invasion and occupation of Cambodia as a fait accompli. This shows that the Soviet Union does not have the slightest desire or sincerity in reaching a political solution to the Afghan and Cambodian issues in accordance with the relevant resolutions of the UN General Assembly.

So far, the Soviet Union still persists in solving the Afghan and Cambodian issues by military means. Moscow asserts that if the road to a political solution leads nowhere, it cannot but "take the road of a nonpolitical solution." According to the estimates of the Soviet leaders, by persisting in the Soviet war of aggression against Afghanistan for another 4-5 years and Vietnam's war of aggression against Cambodia for another 2-3 years it will be possible to completely wipe out the Afghan and Cambodian resistance forces. By that time, the Afghan and Cambodian issues will "vanish by themselves" and the withdrawal of Soviet and Vietnamese troops from Afghanistan and Cambodia will naturally present no problems.

In order to attain this objective, the Soviet Union has launched a large-scale new winter offensive in the Afghan battlefields. The spearhead of this offensive is primarily directed toward the areas around of all major cities, important military bases and the eastern and western borders, as well as both sides of vital communication lines. It has especially stepped up attacks against key sectors in the eastern and southeastern parts close to the Pakistani border. The Soviet troops have also frequently dispatched small commando units to launch surprise attacks against the guerrillas in an attempt to wipe out the effective strength of the guerrillas. According to sources in the Afghan resistance forces, the battles this winter were fiercer than in any other winters in the past. Recently, the Soviet Union has reportedly transported to Afghanistan such advanced weapons as new types of aircraft, long-range artillery, and heavy tanks in preparation for a spring offensive. Moreover, the Soviet Union has doubled its economic and military aid to Vietnam since last year, drastically increasing the aid from \$2 billion annually in the past to \$4 billion. Large quantities of Soviet-made tanks, artillery, mines, rockets, aircraft, and so on have been continuously transported to the Cambodian battlefields by sea and air in order to help carry out the "operational plan" for annihilating the Democratic Kampuchean resistance forces in 2-3 years and step up the blockade of the border areas and the encirclement and suppression campaigns in the interior.

In the face of powerful enemy offensives and pressures, and Afghan and Cambodian resistance forces still have high morale. They have extensively and ingeniously launched guerrilla warfare and constantly won fresh victories. At present, the guerrillas are very active in all parts of Afghanistan. They have particularly intensified their combat activities in the northern provinces close to the Soviet border and attacked military facilities behind the enemy lines. In various central provinces, where fighting has always been relatively quiet, news of the guerrillas inflicting heavy losses on the enemy has also kept pouring in. Ever since they went deep into the interior, the Democratic Kampuchean resistance forces have relied on and mobilized the masses, extensively launched guerrilla warfare, continuously expanded the war zones, and attacked and destroyed the enemy's effective strength. Having to fight both on the border and in the interior, the Vietnamese forces have spread their forces so thin that they find it difficult to hold their own. The history and realities of the anti-aggression struggles by the peoples of Afghanistan and Cambodia show that even through the Soviet Union and Vietnam continue to take the path of conquering by force of arms, their attempts to wipe out the Afghan and Cambodian resistance forces and to make the Afghan and Cambodian issues "vanish by themselves" will never succeed. The only way to solve the Afghan and Cambodian issues is for the Soviet Union and Vietnam to withdraw all their troops from Afghanistan and Cambodia respectively.

RENMIN RIBAO COMMENTS ON U.S. POLICY ON NICARAGUA

HK261537 Beijing RENMIN RIBAO in Chinese 25 Mar 86 p 7

[Commentary by reporter Jing Xianfa: "Another Setback for the Reagan Administration in Its Central America Policy"]

[Text] After 2 days of heated debate, on 20 March, the U.S. House of Representatives finally vetoed President Reagan's proposal to provide \$100 million aid to anti-government forces in Nicaragua. Although, for more than a month, President Reagan has been traveling all round the country and making speeches, and has sent Philip Habib, an experienced diplomat, to several Central American countries in an effort to win support for the proposal, the proposal was finally vetoed by the House of Representatives. This is another setback for the Reagan administration in its Central America policy.

Since Reagan entered the White House, the United States has been increasing its military and other types of aid to the anti-government forces in Nicaragua. According to the report of U.S. NEWS & WORLD REPORT, over the past 5 years, the United States has provided \$470 million military aid to the anti-government forces in Nicaragua, which is three times more than the total amount of aid provided by the Carter administration. According to the estimates of the relevant department, the anti-government forces in Nicaragua have only 4,000 to 5,000 people. So the scope of the military aid provided by the United States is already unprecedentedly large. However, on 25 February this year, Reagan again asked the Congress to approve \$70 million military aid and a \$30 million "humanitarian" aid to the anti-government forces in Nicaragua. Such an insatiable way of doing things was immediately and strongly opposed by the personages of insight in various circles and in the two parties in the U.S. Congress.

First, in the Congress, many Democratic congressmen opposed this proposal because they worried that such a military aid proposal would get the United States more involved in the Central American turmoil, and get the United States involved in "another Vietnam War." Thomas P. O'Neill, speaker of the House of Representatives, warned the Congress: "The shadow of the Vietnam war is still over our heads," the military aid proposal "aims at sending American youth to the battlefield" (in Central America).

Because of the extensive coverage of the Nicaragua question by the U.S. media over the past few weeks, public opinion in the United States has begun to doubt the "legitimacy" of the American support for the anti-government forces in Nicaragua, which are trying to overthrow the Sandinista regime. The CHRISTIAN SCIENCE MONITOR pointed out that one-third of the so-called "freedom fighters" in the anti-government forces in Nicaragua are members of the National Guard of the former dictator Anastasio Somoza, and that "the opposition does not have a political leader agreed upon by all the opposition parties, and the political program of the opposition cannot get support from the Nicaraguan people." For the past few days, there have been mass demonstrations in Washington D.C., protesting the American Government's support for the subversive activities of the anti-government forces in Nicaragua.

That the United States has been providing military aid to the anti-government forces in Nicaragua has aroused serious concern among various countries in Central America. Those countries are worried that the American military support for the anti-government forces in Nicaragua will encourage the overthrown military dictators in those countries to stage a comeback. Those countries are also worried that the increased American military support for the anti-government forces in Nicaragua will finally result in a reduction in the amount of American economic aid to other Central American countries. What is more, Nicaragua has signed border agreements with

several neighboring countries, which do not like to see their relations with Nicaragua being harmed by the escalation of the anti-government military activities in Nicaragua.

The Contadora Group, which has been playing an important role in the political arena in Central America, always opposes direct or indirect American arena in Central America, always opposes direct or indirect American military involvement in the settlement of Central American issues. In February this year, the Contadora Group and the countries which support it sent their foreign ministers to Washington to meet the American Secretary of State George P. Shultz, demanding that the United States first delay the delivery of its military aid to the anti-government forces in Nicaragua and then resume negotiations with the Sandinista government so as to create conditions for the Nicaraguan Government and the opposition in Nicaragua to begin negotiations. But the United States refused the proposal put forward by the Contadora Group.

That the military aid proposal put forward by President Reagan has been vetoed by the House of Representatives shows that the American Government's Central America policy does not enjoy popular support either at home or abroad.

U.S. GROUPS LOBBY FOR INCREASED EXPORTS TO USSR

OW251141 Beijing XINHUA in English 1053 GMT 25 Mar 86

[Text] Washington, March 24 (XINHUA) -- American industrialists, anticipating increased business with the Soviet Union under its economic modernization plans, are stepping up pressure on the Reagan administration to relax trade curbs that they say are undermining their ability to compete, said a NEW YORK TIMES report today. The report said the Reagan administration has been torn by internal strife in recent years between hard-liners, who argue that practically all trade with Moscow enhances its military potential, and pragmatists, who stand for an increased trade to improve political ties. According to U.S. Commerce Department, U.S. exports to the Soviet Union totalled 2,423 million dollars last year, while U.S. imports from the Soviet Union amounted to only 443 million dollars.

The American Committee of East-West Accord, composed of eminent personalities from the business, academic and diplomatic circles, is now leading a new lobbying effort to dismantle the trade barrier, including a recent meeting with Commerce Secretary Baldrige to convey its trade message, the report said.

The business leaders want Washington to know that if the East-West political climate improves, there could be substantial Soviet markets for non-strategic American technology and equipment, electronics and telecommunications. Observers noted the Reagan administration has already taken modest steps to improve the trading climate, but it still maintains elaborate controls over the export of strategic goods and technology.

The U.S. Commerce Department has adjusted its licensing policy for controls on exports of oil, gas exploration and production equipment and technology to the Soviet Union. Total U.S. exports to the Soviet Union should amount to about 2,300 million dollars in 1986, while imports will probably reach 500 million dollars, according to commerce department estimates. Non-agricultural exports are expected to rise to about 800 million dollars, from 558 million dollars in 1985. The most possible new sales by U.S. companies involve food processing and packaging, agricultural machinery, construction, mining, oil and gas, and medical equipment, chemical and analytical and scientific instruments.

As for U.S. farm exports to the Soviet Union, under a current agreement, the Soviets agreed to buy a minimum of 9 million tons of U.S. wheat and corn annually.

I. 27 Mar 86

PRC INTERNATIONAL AFFAIRS
SOVIET UNION

C 1

PRC DELEGATION TO USSR ON NUCLEAR TECHNOLOGY

HK261438 Hong Kong AFP in English 1415 GMT 26 Mar 86

[Text] Beijing, March 26 (AFP) -- China confirmed Wednesday that it plans to send a delegation to the Soviet Union to study possibilities for Sino-Soviet cooperation in civilian nuclear technology.

During a meeting here last week with a Soviet delegation, "the Chinese side noted that it intended to send people to the Soviet Union for study and inspection first, after which the two sides might explore the possibility for technological cooperation in the field of nuclear power stations," a Foreign Ministry spokesman told AGENCE FRANCE-PRESSE.

Informed East European sources indicated Monday that Soviet First Vice-Premier Ivan Arkhipov proposed during his recent visit here that his country pass on to China, civilian nuclear technology, including reactors.

The sources, who said their information was based on the minutes of last week's talks, said China had indicated it would send a delegation of nuclear experts to visit sites in the Soviet Union soon, and that the Soviet side gave assurances that "all could be visited."

Almost all of China's nuclear experts received their training in the Soviet Union before Beijing and Moscow fell out in 1960. It was partly as a result of the earlier Soviet assistance that China was able to begin mastering nuclear technology for itself several years later and to explode its first atomic bomb in 1964, analysts here say.

Mr. Arkhipov led the Soviet delegation to last week's meeting, the first session of the Sino-Soviet Commission on Economic, Trade, and Technological Cooperation which was created last July in Moscow.

ROUNDUP VIEWS USSR ECONOMIC REFORM MOVEMENT

OW261644 Beijing XINHUA in English 1626 GMT 26 Mar 86

["Round-up: Reform Time in Soviet Union" (by Wang Chongjie) -- XINHUA headline]

[Text] Beijing, March 26 (XINHUA) -- A nationwide economic reform movement is underway in the Soviet Union -- and its timing is by no means fortuitous. Disclosures during the past 15 years indicate that the antiquated model of economic development created in the early 1930s has seriously hindered the country's economic growth.

Addressing the recent 27th Soviet Communist Party Congress, party leader Mikhail Gorbachev said that "the inertness and stiffness of the forms and methods of administration, the decline of dynamism in our work, and on escalation of bureaucracy -- all this was doing no small damage." As a result, the country's "economy, which has enormous resources at its disposal, ran into shortages," and its "output of most types of industrial and agricultural goods fell short of the targets" set by the state for the last three five-year-plan periods covering 1971-1985.

"The situation today is such that we cannot limit ourselves to partial improvements, a radical reform is needed," he added. In fact, the economic-system reform has been a topic of discussion since 1983, when the then party leader Yuri Andropov began experiments of enlarging self-management power in industrial enterprises.

Since taking office as party general secretary a year ago, Gorbachev has repeatedly expressed his determination to reform the country's economic mechanism and the whole management system and taken a series of measures in this regard. The guidelines for reorganizing the economic system, defined by the 27th party congress three weeks ago under Gorbachev's leadership, will, according to Gorbachev, mainly lead to "strengthening the role of center in implementing the main goals of economic strategy and in determining the rates and proportions of national economic growth, its balanced development," and to "overcoming the practices of interference by the center in daily activities of the lower economic links."

"A resolute enlargement of the framework of the autonomy of associations and enterprises" is another objective of the guidelines. Towards this end, Gorbachev said, it is necessary to "transfer them to genuine cost accounting, self-support and self-financing, and to make the income level of collectives directly dependent on the efficiency of their work."

According to the guidelines, the Soviet Government is believed to "go over to economic methods of guidance at all levels of the national economy" and "for this purpose to reorganize the system of material and technical supply, improve the system of price formation, financing and crediting, and work out effective incentives to eliminate overexpenditure."

The guidelines also call for "introducing modern organizational management structure, and taking into account the trends towards concentration, specialization and cooperation of production", thereby, "setting up complexes of interconnected industries, research and technological inter-sectoral centers, various forms of economic associations and territorial-production formations."

The experiments of economic reform have now actually spread into various areas. In industry, for instance, "beginning with the current year, new economic management methods which have gone through experimental testing have been introduced in enterprises and associations that turn out half of the total industrial output," Gorbachev said.

"Their introduction in the service sphere, in construction and in transport has begun," Gorbachev pointed out, adding that "collective forms of work organization and stimulation, and also economic contract systems, are being applied on an ever wider scale."

In agriculture, the switchover to new methods of administration and management has yet to be completed. "The establishment, in the center and in the localities, of unified management bodies of the agro-industrial complex is undoubtedly a step of fundamental significance," he said.

The Kremlin, Gorbachev said, will "substantially broaden the autonomy of collective farms and state farms, and give them a greater incentive and responsibility for the final results."

In addition, Gorbachev said, "The contract and job-by-job systems of payment at the levels of teams, groups, and families to whom means of production, including land, will be assigned for a period specified by contract, will become widespread." These surpass both in scope and quality. The reforms carried out in the 1950s and 1960s.

To ensure the success of the reforms a major personnel shake-up has been made by the Kremlin both at the center and in the localities. Officials, who "hoped that everything will settle down and return to the old lines," have been replaced by people, "who work actively and have a high level of professional skill and a feeling for the new."

About 150 top officials, including over two dozens government ministers, lost their jobs in the past year. The recent party congress also saw a major reshuffle of the party Central Committee, 44 percent of its 307 full members and most of its alternate members are new. Changes have also been made both in the Politburo and the Central Secretariat.

The reforms have many skeptics, both in the Soviet Union and abroad.

However, Gorbachev said: "We are only at the beginning of the road. Time and energetic efforts are needed to reorganize the economic mechanism in our country with its vast and complex economy. Difficulties may arise, and we are not guaranteed against miscalculations either, but still the main thing now is to move ahead purposefully, step by step, along the direction we have chosen."

I. 27 Mar 86

P R C I N T E R N A T I O N A L A F F A I R S
SOUTHEAST ASIA & PACIFIC

E 1

NEW ZEALAND'S PRIME MINISTER CONTINUES VISIT

Zhao Ziyang Welcomes Lange

OW261215 Beijing XINHUA in English 1201 GMT 26 Mar 86

[Text] Beijing, March 26 (XINHUA) -- New Zealand Prime Minister David Lange, his wife and their party arrived here this afternoon after visiting Guangzhou, Guilin, Guiyang and Shanghai.

Late this afternoon, the Chinese Government held a welcoming ceremony for Prime Minister Lange at the plaza east to the Great Hall of the People. Cannons boomed a 19-gun salute as Zhao and Lange stood at attention for the two countries national anthems and then reviewed a guard of honor formed by the three services of the Chinese People's Liberation Army. Present at the ceremony were Chinese Foreign Minister Wu Xueqian, Minister of Textile Industry Wu Wenyi, and Minister in Charge of the State Science and Technology Commission Song Jian. After the ceremony, Zhao and Lange entered the Great Hall of the People and had a cordial talk there.

Premier Zhao expressed his warm welcome to Lange on his visit to China. He said that the visit is a great event in the history of relations between the two countries, and will also contribute to the development of bilateral friendly relations.

Prime Minister Lange said his country is working to strengthen and expand the existing cooperation between the two countries.

Earlier today in Shanghai, the New Zealand guests visited a livestock farm and a carpet factory.

Zhao, Lange Exchange Speeches

OW261450 Beijing XINHUA in English 1434 GMT 26 Mar 86

[Text] Beijing, March 26 (XINHUA) -- Premier Zhao Ziyang said tonight that Sino-New Zealand relations rest on a solid foundation and have a broad prospect and that the continuous development of the relations accords with their mutual interests, adding that China is ready to make concerted efforts with New Zealand towards this end. He made these remarks at a banquet he gave in honor of visiting New Zealand Prime Minister David Lange.

Zhao said that since the establishment of diplomatic relations between China and New Zealand 13 years ago, bilateral friendly relations and cooperation have developed steadily. The exchange of visits by leaders and personnel in various walks of life of the two countries have increased their mutual understanding. Their two-way trade has expanded steadily and their cooperation in the fields of animal husbandry and light industry has scored encouraging progress.

Zhao spoke highly of the outstanding achievements the people of New Zealand had made in nation-building. He said that over the past few years, the New Zealand Government has carried out economic reform at home and is playing an increasingly important role in international affairs for seeking peace in the South Pacific region and the world at large and for strengthening regional cooperation. Zhao said that China is ready to make joint efforts, together with New Zealand and other peace-loving countries and peoples, for maintaining world peace and promoting the common prosperity of the world economy.

Lange said, "Two thoughts strike me when I reflect on our bilateral relationship. First, how pleasing it is that we have come so far in the relatively short time -- little more than 13 years -- since the establishment of diplomatic relations between us .

"Secondly, how much the relationship has flourished despite the many contrasts between our two countries and people."

Lange said, "We respect China's independence of mind in the conduct of its foreign relations, we like to think, too, that we in New Zealand have developed a more independent approach to foreign policy. Lange said, "Both of us are pacific countries with a common interest in ensuring that the great Pacific basin which holds so much economic potential for all those within it remains peaceful and stable. We can work together in future in pursuing that end." Lange said, "Both of us believe that a halt should be called to the dangerous arms race. And here I want to pay tribute to your government's decision, announced just a few days ago, not to undertake any further nuclear tests in the atmosphere."

Among those attending the banquet at the Great Hall of the People were State Councillor and Foreign Minister Wu Xueqian, Textile Industry Minister Wu Wenyi, Minister in Charge of State Science and Technology Commission Song Jian, Minister of Public Security Ruan Chongwu and Minister of Light Industry Yang Bo.

Also present was Rewi Alley, a friend of Chinese people from New Zealand.

Zhao, Lange Hold Talks

OW271042 Beijing XINHUA in English 1031 GMT 27 Mar 86

[Text] Beijing, March 27 (XINHUA) -- Chinese Premier Zhao Ziyang and New Zealand Prime Minister David Lange expressed satisfaction with the development of relations between their two countries during talks here today.

Zhao said that cooperation between the two countries in various fields has seen great progress since the two countries established diplomatic relations in 1972. However, he said, there is still great potential for economic cooperation and trade between the two countries. He hoped that the two countries could expand their cooperation in light industry, animal husbandry and food processing.

Lange replied that New Zealand attaches great importance to developing its relations with China. He also made suggestions on possible cooperation projects in the fields of joint-venture enterprises and tourism.

The two leaders agreed in principle that the two governments should discuss agreements on the avoidance of double taxation, the protection of investment, and scientific and technical cooperation as soon as possible.

Lange briefed Zhao on the foreign policy pursued by the New Zealand Government. He said that New Zealanders are devoted to the promotion of disarmament so as to maintain world peace. He said that New Zealand appreciates China's support for its proposal to make the South Pacific a nuclear-free zone and for China's decision not to carry out another nuclear test in the atmosphere.

Zhao briefed Lange on China's stand advocating a total ban and complete destruction of nuclear weapons, he said that China stood for the peaceful use of outer space, maintaining that it is highly dangerous to expand the arms race to space. On the situation on the Korean peninsula, Zhao said that China opposes any act that aggravates tension there. "We hope the dialogue between the North and the South of Korea will continue its momentum after the good start it has made," he added.

Lange said that New Zealand is also very concerned about stability on the Korean peninsula.

Zhao reiterated China's support for the recent proposal made by the Coalition Government of Democratic Kampuchea for a political solution to the Kampuchea issue. Lange in turn expressed his wish for a political settlement of the Kampuchea question.

Wan Li, Hu Qili, Lange Meet

OW271122 Beijing XINHUA in English 1113 GMT 27 Mar 86

[Text] Beijing, March 27 (XINHUA) -- Vice-Premier Wan Li expressed his pleasure today at being invited to visit New Zealand. He said this when he and Hu Qili, member of the political bureau of the Chinese Communist Party Central Committee, met visiting New Zealand Prime Minister David Lange, his wife and their party here at noon time. Wan Li told Lange that he had received a written invitation to visit the South Pacific country.

Lange said he was expecting his visit, and he was also very glad to meet Hu Qili again, who visited New Zealand last year.

After the meeting, a banquet was given in honor of the New Zealand visitors by the two Chinese officials.

LI HOU VISITS NPC DEPUTIES FROM HONG KONG, MACAO

HK261029 Beijing, ZHONGGUO XINWEN SHE in Chinese 1233 GMT 25 Mar 86

[Text] Beijing, 25 Mar (ZHONGGUO XINWEN SHE) -- Today Li Hou, deputy director of the State Council's Hong Kong and Macao Affairs Office, and Lu Ping, secretary general of the office, went to the western suburbs of Beijing, where NPC deputies from Guangdong are staying and visited the NPC deputies from Hong Kong and Macao who are also staying there.

The deputies said that they and the Hong Kong and Macao compatriots were very much concerned about Premier Zhao Ziyang's report on the draft Seventh 5-Year Plan and also about the second session of the Hong Kong basic law drafting committee that would be held in Beijing on 18 April, which would be closely related to Hong Kong people's interests.

Tang Pingta, permanent honorary chairman of the Hong Kong Chinese Chamber of Commerce, aid to this reporter that over the past few years, Li Hou and Lu Ping came to visit them every time they came to Beijing to attend an NPC session.

ROUNDUP VIEWS SRV ECONOMIC DISORDER

OW261851 Beijing XINHUA in English 1840 GMT 26 Mar 86

["Roundup: Hanoi Hard Put To Check Economic Disorder" (by Lan Tian) -- XINHUA headline]

[Text] Beijing, March 26 (XINHUA) -- Vietnam has taken some urgent measures recently to check the economic disorder which ensued from the government's "reform of price, wage and currency" since last August, according to reports received here.

In the first week of this month, the official Vietnamese newspaper "NHAN DAN" admitted in five editorials and some other articles that "serious mistakes" were committed during the reform, resulting in "severe consequences" to the country's economic and social life. The consequences included soaring prices, confused markets, passive and helpless state-owned commercial departments and other difficulties in production, currency circulation and people's daily life, the paper said.

"LAO DONG," the newspaper of the Vietnam Confederation of Trade Unions, noted in a survey report that the real income of the working people has dropped rapidly as prices are skyrocketing while their wages remain the same.

According to estimates of the authorities, the report said, a worker's living expenses accounted for 25 percent of his wage last August when the reform started, but the figure rose to 81 percent in February this year. Workers could not afford even the daily necessities for normal living and working, not to say other needs, the report complained, adding that some had to give up their jobs to engage in commercial transactions or side occupations.

Of the urgent measures Hanoi has taken, the top one is to resume the rationing of some daily necessities, such as stable foods, and to provide price subsidies. Other measures include reorganizing state-owned enterprises in the production of food and articles of daily use, allowing small properties to hire up to 10 workers, strengthening the control of markets by the state and transforming private traders.

The authorities also tried to boost the production of grain and other foods by extending the scope of responsibility systems among agricultural cooperatives and moving people from big cities to mountainous areas.

Some of the urgent measures, the official press said, were "special means under special circumstances" and had to be carried out within the first half of this year.

The foreign press reported from Hanoi that the residents there complained a lot about the current situation and had little confidence in the prospect of the reform. Since the resumption of the rationing, panic purchasing by long lines of people has become a common sight in front of state-owned shops in the capital.

A constant state of anxiety could be felt on the markets since the police often carried out mopping-up operations under the pretext of maintaining the order of commercial activities and the appearance of the city, the foreign press also reported.

CHINA DAILY BACKS CGDK PEACE PLAN FOR CAMBODIA

HK270337 Beijing CHINA DAILY in English 27 Mar 86 p 4

[Commentator's article: "Hanoi's Quagmire"]

[Text] The eight-point proposal for a political settlement of the Kampuchean problems put forward by the Coalition Government of Democratic Kampuchea last week is both flexible and practical.

The main feature of the proposal is that it calls for the withdrawal of Vietnamese forces from Kampuchea in two stages under a UN-supervised cease fire and suggests the inclusion of Heng Samrin in a four-party coalition headed by Norodom Sihanouk pending free elections.

Vietnam's armed occupation is the root of the Kampuchean issue and the withdrawal of Vietnamese forces constitutes the key to the solution. Instead of demanding that Vietnam get all troops out immediately as before, the new proposal calls for a phased pull-out. The Heng Samrin regime is a Hanoi-installed puppet that the international community does not recognize. Yet, out of the spirit of national reconciliation, it is now offered a place in a four-party coalition.

Thus, the proposal testifies to the modified stand of the Kampuchean Coalition and demonstrates their genuine desire for a peaceful solution to the matter.

The proposal also affirms that in the future Kampuchea, as an independent, united, peaceful, neutral and non-aligned country, will be ready to co-exist peacefully with Vietnam and establish economic and trade relations between the two neighbours. This again is a clear demonstration of sincerity.

The Kampuchean problem concerns not only Kampuchea but has direct bearing on peace and security in Southeast Asia and the Pacific region as well. Hanoi's regional hegemonist behaviour is looked upon with anxiety by the world community. Hence, the successive UN resolutions on the Kampuchean issue in recent years. Now that the resistance coalition has made an offer full in keeping with the spirit of the relevant UN resolutions and the declaration of the International Conference on Kampuchea, it naturally has won sympathy and respect from peace-loving countries.

However, the proposal was summarily rejected by Vietnam.

This recalcitrant attitude shows Vietnam is still bent on carrying on aggression in Kampuchea and all its professed desire for a political solution is hypocritical. This can lead only to further isolation for Vietnam.

The Chinese Government has fully endorsed the latest initiative. A fair and practical way to solve the Kampuchean issue, the proposal is in accordance with the national interests of Kampuchea and makes full allowance for those of the Vietnamese people. By rejecting it, Hanoi has denied itself a way out of the quagmire it is in.

Ever since Vietnam launched its armed invasion, China has repeatedly pointed out that this action would only bog Hanoi down. About eight years have passed since the invasion started, but there is still no way for Vietnam to extricate itself.

The resistance forces of the three parties in the coalition are intensifying guerrilla operations in the inland provinces, especially around Lake Tonle Sap and the capital, Phnom Penh, inflicting heavy casualties on the enemy. The long-drawnout war of aggression has demoralized the Vietnamese troops and has had a devastating effect on its economy. Sticking to its policy of aggression against Kampuchea, Hanoi will sink still more helplessly into the quagmire. And the Kampuchean people can count on China's firm and consistent support in their just struggle for national salvation until final victory.

RENMIN RIBAO DENOUNCES VIETNAM ON CAMBODIAN ISSUE

HK271153 Beijing RENMIN RIBAO in Chinese 21 Mar 86 p 6

[*"Jottings"* by You Jun: "High-Sounding Words Only"]

[Text] A recent article published by Vietnam's NHAN DAN says that Vietnam has fought wars for several decades and "eagerly hopes for and needs peace" in order to build its country.

These are merely high-sounding words. After Vietnam won its war of national salvation against the United States and unified with its southern part, it did have peace and could indeed vigorously build its country. But who has sent 200,000 of its troops to invade and occupy a sovereign state -- Cambodia --, has undermined peace, and has thrown all the country's limited financial and material resources in an unjust war? Can those who have impatiently launched another war after fighting wars for more than 10 years, even before they have recovered their country's strength, be regarded as people who "eagerly hope for and need peace?" It is precisely the Vietnamese authorities and no one else who have caused all these troubles. It seems that they have made a wrong estimate. They think that by relying on a superpower they can ride roughshod, annex Cambodia in one stroke, and be sure to gain hegemony in Indochina.

However, the situation has unexpectedly developed to the reverse of their desire. They are now in a predicament in Cambodia, just as the United States was when it was fighting on Indochinese battlefields -- a predicament described by Henry Kissinger as being "involved in a war which we neither know how to win nor how to end."

Of course, if the Vietnamese authorities really "eagerly hope for and need peace," it is not yet too late. They can immediately stop aggression against Cambodia and withdraw all aggressive troops from Cambodian territory. The UN resolution approved by over 100 countries and the proposal by the Coalition Government of Democratic Kampuchea have precisely pointed out the road leading to peace, but the Vietnamese do not want to listen to these proposals and have clung to their unpopular practices. This being the case, what they say about their "eager hope for peace" is nothing but a cheap lie.

CGDK DEFENSE COORDINATION COMMITTEE MEETS

OW271140 Beijing XINHUA in English 1056 GMT 27 Mar 86

[Text] Bangkok, March 27 (XINHUA) -- The meeting of the Coordination Committee for Defense under the tripartite Coalition Government of Democratic Kampuchea (CGDK) noted with satisfaction the progresses obtained in the battlefields by their troops. This was disclosed in a press communique available here today.

The meeting yesterday was presided over by CGDK Prime Minister Son Sann and attended by ministers of the Defense Coordination Committee and other personalities concerned from the three parties of the CGDK.

The meeting examined the setting up of the two new committees in accordance with the decision of the CGDK Council of Ministers held on March 17 in Beijing under the chairmanship of Norodom Sihanouk.

The establishment of the Military Coordination Committee and the Committee for Press and Information was aimed at assuring a better and more efficient coordination in the resistance operations undertaken by each party of the CGDK, the press communique added.

"The general resistance against the oppressors is increasing continuously with the heroic participation of the civilian population and the Khmer soldiers forcibly recruited by the Vietnamese in the big cities as well as in the lesser localities," the press communique stressed.

Tripartite representatives pledged at the meeting to push forward with their struggle in various fields in order to drive the Vietnamese aggressors out of their country.

I. 27 Mar 86

P R C I N T E R N A T I O N A L A F F A I R S
SOUTH ASIA

F 1

MEESE REAFFIRMS U.S. SUPPORT FOR AFGHANS

OW261946 Beijing XINHUA in English 1939 GMT 26 Mar 86

[Text] Islamabad, March 26 (XINHUA) -- The United States will continue to support the Afghan people in their struggle against Soviet aggression, visiting U.S. Attorney General Edwin Meese said in Peshawar today. Meese was addressing Afghan refugees at the Katcha Garhi Tentage village on the outskirts of Peshawar this morning.

Referring to the tragic consequences of Soviet domination in Afghanistan, Meese told the refugees that "we can assess these from your physical and mental scars of torture and other inhuman acts like genocide and famine." He said that the Soviets had been trying to suppress the facts from the eyes of the world people. To achieve this end, he added, they had been killing journalists in Afghanistan.

Meese said that the Afghan people will not submit to the might of the Soviets and will continue to resist and expel them from Afghanistan.

He expressed his appreciation of the efforts made by Pakistan in supporting and assisting the Afghan refugees. Meese also expressed his appreciation of Pakistan's efforts to curb drug production and trafficking at a press conference here later today.

Edwin Meese arrived here yesterday for a two-day official visit to Pakistan. He held talks with President Ziaul Haq, Prime Minister Mohammad Khan Junejo and other senior Pakistan Government officials.

INDIA NOT TO RENEW OIL CONTRACT WITH USSR

OW261250 Beijing XINHUA in English 1242 GMT 26 Mar 86

[Text] New Delhi, March 26 (XINHUA) -- India has decided to go in for spot purchase of crude oil from international oil markets instead of a renewal of contractual purchase at higher prices from the Soviet Union, THE INDIAN EXPRESS reported today. Following the failure of the OPEC countries to come to an agreement on oil production cuts, the spot prices of crude dropped to 11.70 U.S. dollars a barrel, the lowest in recent years.

The issue of falling oil prices was reviewed by Prime Minister Rajiv Gandhi's cabinet recently and the Indian Government believed the steep fall in oil prices would be a big relief to India, and as a consequence, would help improve considerably its balance of payments position.

India has recorded during the first half of current fiscal year a trade deficit of 41.24 billion rupees (3.39 billion U.S. dollars). Increased imports of crude oil and oil products accounted for a large percentage of the deficit.

According to THE INDIAN EXPRESS, the Soviet Union was understood to be pressing India for renewal at a much higher price than the ruling price in international oil markets.

During the current financial year, India is expected to import some 14.3 million tons of crude oil to meet its domestic demands.

I. 27 Mar 86

PRC INTERNATIONAL AFFAIRS
WESTERN EUROPE

G 1

HAN NIANLONG MEETS FRG SOCIALIST PARTY 26 MARCH

OW261932 Beijing XINHUA in English 1926 GMT 26 Mar 86

[Text] Beijing, March 26 (XINHUA) -- Han Nianlong, president of the Chinese People's Institute of Foreign Affairs, met and feted Hans-Jochen Vogel, vice-chairman of the Social Democratic Party of Germany and chairman of the parliamentary group from the party, and his group here tonight. During the meeting, the host and guests exchanged views on international issues of common concern. The guests arrived here this afternoon at the invitation of the Chinese People's Institute of Foreign Affairs.

DANISH PRIME MINISTER SCHLUTER ARRIVES IN XIAN

OW261629 Beijing XINHUA in English 1603 GMT 26 Mar 86

[Text] Xian, March 26 (XINHUA) -- Danish Prime Minister Poul Schluter and his party arrived here by plane in the company of Minister of Civil Affairs Cui Naifu at noon today.

This afternoon the guests visited a museum displaying hundreds of life-size terracotta horses and armoured warriors excavated from sites near the tomb of Qin Shi Huang, the founder of the Qin Dynasty (B.C. 221-B.C. 207). After the visit, Schluter wrote in a visitor's book, "we are happy to have seen this historic place."

The prime minister and his party were honored at a banquet given by Acting Governor Zhang Bin of Shaanxi Province at noon today.

ITALIAN JOURNALIST INTERVIEWS HU QILI

OW261751 Beijing XINHUA in English 1600 GMT 26 Mar 86

[Text] Beijing, March 26 (XINHUA) -- Hu Qili, member of the Political Bureau and Secretariat of the Chinese Communist Party Central Committee, was interviewed here today by Bruno Peloso, member of the Party Affairs Commission of the Central Committee of the Italian Communist Party, and director general of EDITORI RIUNITI.

Hu answered Bruno Peloso's questions on China's foreign policy, achievements in economic construction, economic reform, culture and education.

The Chinese Communist Party attached great importance to the development of its relations with the Italian Communist Party, Hu said.

Hu described the EDITORI RIUNITI as "one of the influential publishing houses" in Italy as well as in Europe as a whole, adding that it has contributed to the understanding of China and the friendship between the two peoples and the two countries.

Bruno Peloso thanked Hu for the interview, saying that this would help promote the friendly relations between the two parties and the two peoples.

Bruno Peloso arrived in Beijing on March 22 for a visit to China.

I. 27 Mar 86

P R C I N T E R N A T I O N A L A F F A I R S
EASTERN EUROPE

H 1

HUSAK SPEAKS ON FOREIGN POLICY AT CPCZ CONGRESS

OW241923 Beijing XINHUA in English 1859 GMT 24 Mar 86

[Text] Prague, March 24 (XINHUA) -- The basic task of Czechoslovakia's foreign policy is to create favorable external conditions for building a developed socialist society, said Gustav Husak, general secretary of the Czechoslovak Communist Party, in his political report to the party's 17th congress today. "The first task of our foreign policy is to strengthen friendship with our fraternal socialist countries, especially the Soviet Union, and develop and strengthen cooperation with them", Husak said. He stressed that Czechoslovakia will look for a new and the most efficient way of such cooperation in political, economic, scientific and ideological fields so as to perfect the mechanism and activity methods of the Warsaw Treaty countries and the Council for Mutual Economic Assistance.

On relations with China, he said: "We prepare to fully normalize relations with the People's Republic of China and develop friendly and cooperative relations with it." On Soviet-U.S. relations, he pointed out that the peace-loving people welcome the resumption of the summit meeting of the two countries and link their dialogue with the hope to avoid the threat of nuclear war. He condemned the United States for not being willing to take the road to the reduction of nuclear arms.

Talking about relations with capitalist countries, he said Czechoslovakia is willing to develop relations with these countries on the basis of equality, mutual benefit, cooperation and non-interference in each other's internal affairs and stands for frank, earnest and effective, dialogue. He said that even the most complicated problem between the socialist countries and capitalist countries can be solved by talks. He expressed Czechoslovakia's will to firmly stand on the side of the people of various countries that are struggling for real independence and strongly condemned colonialism and racial discrimination in various forms.

LI XIANNIAN HOSTS RETURN BANQUET FOR RATSIKAKA

OW261320 Beijing XINHUA in English 1259 GMT 26 Mar 86

[Text] Antananarivo, March 26 (XINHUA) -- Visiting Chinese President Li Xiannian described here today his visit to Madagascar as "fruitful." He and his Malagasy counterpart share identical or similar views on various important issues and the aim of his visit to strengthen mutual understanding and friendship has been attained, Li said.

Li made the remarks at a return banquet he and his wife hosted for President Didier Ratsiraka and his wife in the Chinese Embassy here at noon. Li arrived here Monday on a four-day state visit, the first ever by a Chinese head of state since the two countries set up diplomatic relations in 1972. Li said that the two sides, satisfied with the fruitful cooperation in various fields and expressed the hope to continuously consolidate and develop the existing friendly relations of cooperation between the two countries. The Chinese president reiterated, "China treasures its friendship with Madagascar and, to develop Sino-Malagasy friendship and cooperation remains our firm and unshakable policy."

In his speech, Ratsiraka agreed with Li's remarks, saying the amicable encounter and exchange of views in the past few days have further strengthened the very solid existing ties between Madagascar and China. He said that leaders of the two countries at various levels have all along cooperated satisfactorily and are ready to develop a relation of mutual respect, commitment and effectiveness, treating each other amicably. The Malagasy leader said: "We have planted a robust seedling which will bear plentiful and sweet fruits. It is called friendship, unity and harmony." Present at the banquet were Malagasy Prime Minister Desire Rakotoarijaona, speaker of the National People's Assembly Lucien Andrianarahanjaka and other senior Malagasy officials. Chinese State Councillor Chen Muhua, and other Chinese officials were present at the banquet.

Lays Wreath

OW261625 Beijing XINHUA in English 1442 GMT 26 Mar 86

[Text] Antananarivo, March 26 (XINHUA) -- Visiting Chinese President Li Xiannian, accompanied by Malagasy Prime Minister Desire Rakotoarijaona, placed a wreath at the national martyrs mausoleum here this morning. The mausoleum was erected in September 1979 in commemoration of the heroes who had died for their motherland.

Presidents Hold Talks

OW262044 Beijing XINHUA in English 2039 GMT 26 Mar 86

[Text] Antananarivo, March 26 (XINHUA) -- Chinese President Li Xiannian and Madagascar's President Didier Ratsiraka met privately this afternoon at the Mahazoarivo Palace, where Li is staying during his four-day official visit. During the talks, which proceeded in a "very cordial atmosphere" according to an official accompanying President Li, the two leaders exchanged views on further strengthening the friendship and cooperation between the two countries, and other issues of mutual concern. Li who arrived here for a four-day state visit Monday, held the first round of talks with his Malagasy counterpart Tuesday morning. At noon today, Li hosted a return banquet in honor of President Ratsiraka at the Chinese Embassy.

Leaves for Home

OW271314 Beijing XINHUA in English 1305 GMT 27 Mar 86

[Text] Antananarivo, March 27 (XINHUA) -- President Li Xiannian left here for home this morning after concluding his five-nation Afro-Asian tour. The special flight carrying Li and his entourage took off at 11:05 local time.

Li arrived here Monday on a four-day state visit to Madagascar, the last leg of his marathon journey which took him to Bangladesh, Sri Lanka, Egypt and Somalia.

During his stay here, Li and his host, President Didier Ratsiraka held two rounds of talks on ways and means to strengthen friendship and cooperation between the two countries and on other issues of mutual concern. In a written speech issued at the airport before departure, the Chinese president described his visit as "very successful".

Ratsiraka, his wife and other Malagasy senior officials were present at an airport ceremony to give the guests a warm send-off. The Chinese Ambassador to Madagascar Yang Guirong, was also present to bid Li farewell. Ratsiraka today presented a pair of lemurs to the Chinese people through President Li. This precious animal, with a fox-like face and a monkey-like body, is found only in Madagascar.

Earlier this morning, three documents were signed between the two sides. In one, China donated 2,000 tons of cement to help the Malagasy people in cyclone-ravaged areas rebuild their homes. Another covers an agreement creating a mixed commission on fishing and aquatic products.

CHEN MUHUA ON OVERSEAS CHINESE POLICY

OW262128 Beijing XINHUA in English 2112 GMT 26 Mar 86

[Text] Antananarivo, March 26 (XINHUA) -- Visiting Chinese State Councillor Chen Muhua, speaking for Chinese President Li Xiannian, today urged the Chinese residents in Madagascar to observe Malagasy law and customs and live on good terms with the Malagasy people. Chen is a leading member of President Li's entourage, which arrived here Monday for a four-day visit.

Addressing more than 400 people representing the Chinese residents in Madagascar at the Hilton Hotel here this evening, Chen said the Chinese Government has been consistent in its policy on affairs concerning Chinese nationals living abroad and attached importance to the protection of these just rights and interests. Touching upon the issue of China's national reunification, Chen said the concept of "one country, two systems" put forward by the Chinese Government has not only successfully solved the problem of Hong Kong, but had also clearly shown the way to the solution of the problem of Taiwan. The Chinese state councillor called on the Chinese residents of Madagascar and those people who are of Chinese origin but have obtained Malagasy citizenship to make their contribution to the early reunification of Taiwan and the mainland of China. She expressed her hope that, by serving as links in the friendship between China and Madagascar: The Chinese residents and the people of Chinese origin will make fresh contributions to the development of friendly relations and cooperation between the two countries.

Madagascar, with more than 6,000 Chinese residents, has the largest Chinese community among African nations. Chinese began to come to the Indian Ocean island country in 1896.

I. 27 Mar 86

C H I N A
PRC NATIONAL AFFAIRS

K 1

TEN SECTIONS OF SEVENTH 5-YEAR PLAN SUMMARIZED

OW270100 Beijing XINHUA in English 0048 GMT 27 Mar 86

[Text] Beijing, March 27 (XINHUA) -- China's draft Seventh Five-Year Plan (1986-90), in the form of a ten-part document, is being discussed at the annual session of the National People's Congress. The introduction to the document lists the 11 principles of the country's economic and social development over the next five years.

The first part, in five chapters, sets forth the major tasks during the period. Included are economic growth rates and economic efficiency, production and distribution of the national income, finance, banking and foreign exchange, as well as targets for the expansion of science, technology, education and social development. The second part, in 10 chapters, deals with the industrial structure and policies. Involved are agriculture, the consumer goods, energy, raw materials, machine-building, electronics, construction and building materials, transport, and posts and communications industries, and commodity circulation. The third part, in seven chapters, entitled Regional Distribution and Economic Development Policies, specifies economic targets and policies for the eastern, central and western regions, as well as for areas inhabited by minority nationalities and border regions. The fourth part, in five chapters, outlines the tasks and policies for development of science and technology. The fifth part, also in five chapters, lists targets and measures for educational development.

The sixth part, in six chapters, outlines China's tasks in the fields of trade and economic cooperation, and technological exchanges with other countries. This sector covers imports and exports, use of foreign funds, technology imports, the four special economic zones and 14 coastal cities and three areas open to foreign investment, tourism, contracting for projects abroad, the export of labor services and international aid. The seventh part, in four chapters, specifies the investment pattern and policies. The eighth part, also in four chapters, lists goals and tasks for the reform of the economic structure. The ninth part, in six chapters, deals with the people's livelihood and social security, including population control measures, labor and employment, incomes, public health and environmental protection. The last part, in four chapters, is devoted to the task of developing socialist culture and morality while promoting material civilization. This involves cultural, ideological and political work, the furtherance of democracy and the legal system, and social order.

Drafting of Plan Explained

OW270148 Beijing XINHUA in English 0135 GMT 27 Mar 86

["How China's Seventh Five-Year Plan Was Drafted" -- XINHUA headline]

[Text] Beijing, March 27 (XINHUA) -- Nearly 3,000 legislators are now deliberating the 100,000-word draft of China's Seventh Five-Year Plan here. To outsiders, it may have looked like an instant motion presented for approval.

According to insiders in economic circles, the draft, which contains detailed strategies and numerous figures for China's social and economic development in the 1986-1990 period, has embodied three years of hard work and meticulous calculations by government officials with guidance from top Chinese leaders Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian and Chen Yun.

Premier Zhao Ziyang, who directly oversaw the drafting, exchanged views with and solicited suggestions from visiting foreign business people, Overseas Chinese and such international organizations as the World Bank on China's economic development strategies and structural reform.

Although the formal drafting of the plan got underway in 1985, according to the sources, preparatory work including deliberations, investigations, calculations and feasibility studies, began nearly two years earlier. From 1983 on, the Secretariat of the Communist Party Central Committee, the central leading group in charge of finance and economy and the State Council called a train of meetings and symposiums to discuss the major tasks for the Seventh Five-Year Plan period and the policy measures that should be adopted to ensure the fulfillment of these tasks. These meetings involved thousands of people, including democratic personages, scientists of natural and social sciences, specialists in various fields, administrators at the provincial level and in charge of central government departments and large enterprises, economists who had participated in the drafting of previous five-year plans, as well as reform-minded people engaged in economic work.

From early 1983 to early 1985, planners at the central and provincial levels concentrated their efforts on such basic researches for the plan as investigations, calculations and feasibility studies. In September 1985, a national conference of the Communist Party passed a proposal for the Seventh Five-Year Plan for National Economic and Social Development, which set out the guidelines, principles, policies and tasks for the draft plan. Further studies and calculations were conducted again at the central and provincial levels along the line of the principles set in the proposal. In light of their researches, the various departments under the State Council and provincial governments submitted draft plans for specific sectors or fields of work to the State Planning Commission. Based on all this, an outline of the plan was worked out, and after several rounds of consultation and revision, the present draft plan finally took shape. Economists are of the opinion that the targets set in the draft plan are practical and feasible and the fulfillment of the plan will lay a sound foundation for vigorous development of China's economy in the 1990s.

Plan Highlights, Part One

OW270156 Beijing XINHUA in English 0148 GMT 27 Mar 86

[**"Highlights of Seventh Five-Year Plan (1)" -- XINHUA headline**]

[Text] Beijing, March 27 (XINHUA) -- The value of China's industrial and agricultural output will increase 38.2 percent in five years to 1,677 billion yuan by 1990, according to the draft plan being discussed at the current session of the National People's Congress. The value is based on 1980 prices. The latest draft of China's plan for 1986-90 projects annual average increases of 6.7 percent.

Agricultural output is expected to reach 353 billion yuan by 1990, up 21.6 percent from 1985 -- an average annual increase of four percent. According to the draft, industrial output value will jump 43.4 percent to 1,324 billion yuan by 1990 -- an average annual increase of 7.5 percent. Of this, light industry will account for 661 billion yuan and heavy industry 663 billion yuan. Gross national product -- the total value of goods and services produced in China -- is expected to reach 1,117 billion yuan by 1990, up 43.6 percent -- an average annual increase of 7.5 percent.

Part Two

OW270818 Beijing XINHUA in English 0748 GMT 27 Mar 86

[**"Highlights of Seventh Five-Year Plan (2)" -- XINHUA headline]**

[Text] Beijing, March 27 (XINHUA) -- China's national income will grow 38 percent from 1985 to reach 935 billion yuan in 1990, according to the draft Seventh Five-Year Plan (1986-90). Incomes will rise at an annual average rate of 6.7 percent.

During the five-year period, funds for consumption will total 3,007 billion yuan, with an annual ratio of 70 percent to the national income; and those for accumulation, 1,315 billion yuan, with an annual ratio of 30 percent. The real consumption standard per capita will increase to 517 yuan a year in 1990 from 404 yuan in 1985 -- an annual average rise of five percent.

Meanwhile, the country's investment in fixed assets will come to 1,296 billion yuan, with state-owned units accounting for 896 billion yuan. Such units will add new fixed assets worth at least 100 billion yuan over the next five years.

Part Three

OW270822 Beijing XINHUA in English 0751 GMT 27 Mar 86

[**"Highlights of Seventh Five-Year Plan (3)" -- XINHUA headline]**

[Text] Beijing, March 27 (XINHUA) -- China's revenues will grow 6.7 percent annually over the next five years, to reach 256.7 billion yuan in 1990, according to the draft Seventh Five-Year Plan (1986-90). Altogether, revenues during that period will amount to 1,119.4 billion yuan -- up 64 percent from the total for the Sixth Five-Year Plan period (1981-85).

The country's expenditures will be 256.7 billion yuan in 1990 and will total 1,119.4 billion yuan during the five-year period. Spending (including foreign loans) on capital construction will be 349.9 billion yuan during the same period -- 31.3 percent of the total expenditures. Meanwhile, expenditure on education, science, culture, public health and sports will come to 201.6 billion yuan -- 18 percent of the total expenditure. Such expenses will rise eight percent annually over the next five years.

Expenditure on national defense will be 102.1 billion yuan during the same period, accounting for 9.1 percent of the total: this compares to 13.1 percent during the Sixth Five-Year Plan period.

Part Four

OW270828 Beijing XINHUA in English 0754 GMT 27 Mar 86

[**"Highlights of Seventh Five-Year Plan (4)" -- XINHUA headline]**

[Text] Beijing, March 27 (XINHUA) -- Following are quotas for output of China's major crops, animal by-products, aquatic products and forestry in the draft Seventh Five-Year Plan (1986-1990):

The country will harvest an annual average of 415 million tons of grain (425 to 450 million tons by 1990) over the next five years -- up 12 percent from the average during the Sixth Five-Year Plan (1981-1985).

The annual average cotton output will be 4,250,000 tons -- slightly lower than the average for the past five years. Annual output of oil-bearing seed crops will average 17,120,000 tons (18,200,000 tons by 1990) -- a 42 percent rise over the average for the 1981-1985 period. China will keep its area sown to grain crops at roughly 110 million hectares over the next five years.

By 1990, annual meat output will be 22,750,000 tons, a 19.7 percent increase over 1985: dairy produce will total 6,250,000 tons, a rise of 110 percent; and 8,750,000 tons of eggs will be produced, up 65 percent. Output of aquatic products will rise by 29 percent to nine million tons a year by 1990. Trees will be planted on 27,670,000 hectares during the 1986-1990 period, with the aim of raising the country's forest cover to 14 percent in 1990 from 12 percent last year.

YANG DEZHI: PHASE ONE OF PLA REORGANIZING COMPLETE

HK261508 Beijing ZHONGGUO XINWEN SHE in Chinese 1244 GMT 26 Mar 86

[Report by Li Wei: "Yang Dezhi Describes First Phase of Streamlining and Reorganization of the Chinese Army as Having Basically Come to an End"]

[Text] Beijing, 26 Mar (ZHONGGUO XINWEN SHE) -- PLA Chief of General Staff Yang Dezhi today said the first phase of the plan to cut the Chinese Armed Forces by 1 million men has been successfully completed, and, as several thousand organizations at and above the regimental level have been abolished, the establishment of the Army has been further rationalized, and the Army has been further streamlined. Yang Dezhi made the above statement when talking about the PLA structural reform this afternoon at a meeting of the PLA delegation to the NPC to examine Premier Zhao Ziyang's report on the draft of the Seventh 5-Year Plan.

It has been reported that the process of streamlining and reorganization of the Chinese Army is divided into two phases. The main target of the first phase is to streamline the Armed Forces' organizations, the ground force units (namely, the field army units and provincial military districts), and the combat units of the Navy and the Air Force. The main targets of the second phase, which is currently under way, are to streamline the logistics sector, military institutes, and hospitals affiliated with the PLA, as well as to hand over all the people's armed forces units at the county (prefectural) level to local authorities.

In regard to the fine situation of the Army during the Sixth 5-Year Plan, Yang Dezhi listed the following points: The consciousness of political unity with the Central Committee has been strengthened; the professional and cultural stands of the contingent of cadres have been markedly upgraded, with two-thirds of leading cadres at and above the regimental level having been trained in military institutes or academies; weaponry and equipment have been gradually improved; a good job has been done in supporting national construction and safeguarding the lives and properties of the people, including rushing to deal with emergencies and providing disaster relief on more than 58,000 occasions during the 5 years, involving a force of more than 3.3 million men, and more than 9,000 missions of planes and naval vessels; and several dozen airports, docks, and ports have been transferred to civil use or for military-civil use.

Yang Dezhi agrees with Zhao Ziyang's report, believing that the draft Seventh 5-Year Plan conforms to China's actual situation, it has unified planning with due consideration for all concerned and with overall arrangements, attaches attention to focal points and key links, and has practical and feasible major targets which can be realized through hard work. He expressed that during the period covered by the "Seventh 5-Year Plan," the Chinese Army will stick to the policy of acting in light of the overall situation in the country's economic construction.

If the country's economic construction needs support, the Army should provide personnel, funds, and materials. On such grounds, the Army will try its best to carry out its self-construction. The Army will continue to accomplish the task of the reform of the Army structure and the simplification and reorganization of troops, and will smooth its relations and establish and perfect various rules and regulations. The Army will also strengthen the research on national defense technology and continue to improve its weaponry and equipment. He said that during the period covered by the "Seventh 5-Year Plan," it is not possible to see a big increase in the national defense expenditure. The Army should not demand more funds from the state, but instead should try to reduce the burden of the state as much as possible and try to control well and make the best and most proper use of the limited national defense funds.

SONG PING INTERVIEWED ON PLANNING WORK

HK270224 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 12, 24 Mar 86 pp 3-4

[*"State Councillor Song Ping Answers LIAOWANG Reporter's Questions on Planning Work During the Seventh 5-Year Plan Period"*]

[Text] On the eve of the Fourth Session of the Sixth NPC, this LIAOWANG reporter interviewed Song Ping, a state councillor and director of the State Planning Commission, and asked him about the economic planning work during the Seventh 5-Year Plan period. Song Ping briefly answered these questions:

Question: It is said that the coming NPC session will deliberate and approve the Seventh 5-Year Plan. Will you outline the main tasks in China's socioeconomic development during the period of the Seventh 5-Year Plan?

Answer: In the period of the Seventh 5-Year Plan, our country is faced with three major tasks: First, to create fine economic conditions for the economic structural reforms so as to ensure the smooth development of the reforms; second, to prepare material and technical conditions and intelligent resources essential to maintaining the momentum of development in the future; and third, to further improve the people's livelihood on the basis of production development.

These three tasks are interrelated. In order to implement economic structural reforms, economic development must be stable, and economic plans cannot impose too strict a target construction arrangements. In order to lay a good foundation for future development, we must continue to prioritize the development of the energy, transport, and raw materials industries and need to start some necessary backbone projects. However, the scale of construction must not be too big; otherwise, economic stability may be affected. In addition, when raising the living standards of the people, we must also invest in light industry and agriculture. Although the three major tasks are interrelated, they are not parallel. Economic structural reforms should be placed in the primary position. We must succeed in economic reforms so as to open a new road for building socialism with Chinese characteristics. This is a matter of far-reaching significance.

Question: During the Seventh 5-Year Plan period, how will the planning department carry out its work?

Answer: In previous plans, centralized management by the state was too rigid and covered too wide a scope. Through economic structural reforms and measures for streamlining administration and devolution in economic management, the proportion of funds and materials directly controlled by the state has been gradually reduced, an increasing proportion of funds and materials has been put at the disposal of localities and enterprises.

Under these circumstances, the state will not be responsible for supplying all funds and materials needed in production and construction as before. According to the spirit of the central decision on economic structural reforms, the planning department will follow the principle of properly ensuring macroeconomic management and enlivening and decontrolling microeconomic activities, and will concentrate on keeping the major ratios in the national economy in an appropriate position and ensuring the balanced and proportionate development of the economy in general. Therefore, our planning work will be more complicated than before.

Question: Then, what are the things that we should pay special attention to in our planning work?

Answer: First of all, we should concentrate on reforming the planning system by narrowing the scope of mandatory plans and expanding the scope of guidance plans and market regulation. We should pay attention to both macroeconomic control and microeconomic decontrol. After more power is delegated to enterprises, we should give them better guidance so that enterprises not only obtain power and benefits, but also undertake corresponding responsibility for bringing their operations into line with macroeconomic requirements. Rather than just caring about their own interests, enterprises must consider how to link their own interests with social interests. Some enterprises have earned profits illegally and have harmed the interests of the state and the people, mainly because they cannot properly handle the relationship between their own interests and the overall interests of the nation. So we must use the necessary administrative means, more effectively employ economic regulatory means, and formulate relevant economic regulations and laws. While practicing the market economy, capitalist countries are now also strengthening their state intervention in economic affairs in general so as to ensure the stable development of their economies.

In our country, we are pursuing a planned commodity economy, and we must consciously follow and apply the law and value in our economic work. Guidance plans are realized mainly through the use of economic levers, and the execution and formulation of mandatory plans must also follow the law of the value. Price is the most important and useful economic lever. However, prices for many goods in our country cannot realistically reflect the value of those goods, nor can they reflect the relation between supply and demand in society. For example, the price for coal is on the low side. Coal is needed in both industrial production and the people's livelihood. At present, we cannot immediately raise its price in an all-round way, because that will cause price rises and affect the people's daily lives. In order to bring the regulatory role of prices in production, circulation, and consumption into play better, we must further change the unreasonable state of prices. However, this is a highly sensitive issue, and we must be very cautious.

Moreover, as science and technology are playing an increasingly important role in the development of the modern economy, planning work should closely combine the development of science and technology with economic development. We cannot merely rely on the expansion of construction scale to promote economic development; we must also rely on technological transformation and the improvement of management. Industrial enterprises in our country can tap great potential in lowering energy and raw materials costs. At the same time, by means of upgrading products, improving product quality, and increasing the durability of products, we can also economize on raw materials in production. In short, we should ensure an appropriate growth rate, good product quality, and high economic efficiency through technological transformation.

Question: According to what you have said, planning work has become more difficult than before. Then, how can you ensure the realization of the guidance plans and ensure their role in macroeconomic control?

Answer: In order to ensure the realization of guidance plans, we must do our best to bring our plans into line with objective economic laws. At the same time, we should flexibly use economic levers. Credit, taxation, and other economic means should play an important role in macroeconomic control. At present, we do not flexibly and effectively make use of economic levers, and the regulatory role of credit and taxation is not obvious enough. Henceforth, we should reduce taxes to encourage the development of what we need, and increase taxes to restrain those we want to restrain. Similarly, when arranging loans, we should give priority to those we need to develop and should give preferential terms; otherwise, we should refuse to offer loans or raise interest rates. We still have to make great efforts in order to let planning work play a real role in macroeconomic control. At present, planning work is faced with many new problems. Although we have made substantial improvements, we still have to improve many things. The personnel in the planning department not only have to study the economic targets, they still have to study economic policies, ways to employ economic levers, and the states of prices, credit, taxes, and exchange rates. In short, the use of economic levers should be taken as an important part of planning work.

Question: In the period of the Seventh 5-Year Plan, as the scope of mandatory plans is narrowed and the scope of guidance plans is expanded, what kind of economic system will China have?

Answer: China's socialist planned economy is a planned commodity economy on the basis of socialist public ownership.

Fundamentally speaking, the economies in today's world can be divided into two major categories: the socialist category and the capitalist category. The economies in capitalist countries belong to the category of the market economy, and they are faced with contradictions inherent in the capitalist system. At present, many capitalist states have intervened in their national economies to different degrees so as to mitigate the contradictions. Ours is a socialist country, and our economy is a planned economy. The problems we encounter are completely different from the problems in capitalist countries. Our ongoing reforms will overcome the defects caused by rigid and excessive centralism, and will enable us to better follow the law of value, make use of market mechanisms, and invigorate the economy so as to open a new road in building socialism with Chinese characteristics.

Question: What other issues should we pay attention to in the period of the Seventh 5-Year Plan?

Answer: We should pay attention to many issues. For example, in the period of the Seventh 5-Year Plan, our country will continue to carry out the policy of opening up to the outside world and will actively develop foreign trade and expand economic and technological exchanges with other countries. Therefore, we should make efforts to increase exports and earn more foreign exchange by putting more products on international markets. Last year, I visited Japan, and Mr Yoshihiro Inayama told me when talking about balancing our trade: "Only when one can export more can one import more, and only when one has the ability to repay debts can one borrow money." I agreed with this remark. Only by increasing exports can we import more advanced technologies and equipment from abroad. When contracting foreign debts, we must consider our ability to repay debts. Only thus can we ensure of the health of our economy in foreign economic exchanges. In addition, our country has rich resources for developing tourism, and the tourist industry can also earn foreign exchange. So we should make great efforts to develop this industry. However, in some localities, although the development of the tourist industry has increased the gross income of foreign exchange, their net income of foreign exchange has decreased. This is because they imported large quantities of tourist articles, including cigarettes, wines, and tableware, and this increased foreign exchange expenses and reduced the net foreign exchange income.

Moreover, we must improve the people's livelihood during the Seventh 5-Year Plan. We not only should increase the workers' incomes, but should also improve our social welfare. At present, there are an increasing number of retired workers in our country. We should take care of their livelihood. Some of these people have been living in difficult conditions since some prices rose, and the enterprises which they served previously cannot help them in this regard. So we need to establish a nationwide social security system as soon as possible on a sound basis, because the average age of our population will increase after we adopt the policy for birth control. This will enable retired workers to lead a happy life in their remaining years.

APPOINTING CADRES ON MERITS STRESSED

HK260853 Beijing RENMIN RIBAO in Chinese 18 Mar 86 p 5

[Commentator's article: "Be Impartial and Honest, Appoint People on Their Merits"]

[Text] Over the past few years, under the guidance of the principle of the "four transformations" of cadres and in coordination with economic construction and reform, party organizations in many localities and departments have selected talented cadres and conscientiously readjusted their leading bodies. Marked achievements have been made in this respect. But at the same time, we should also be aware that problems pointed out by the "circular of the CPC Central Committee on selecting and appointing cadres strictly in line with party principles" still exist in some localities and departments. These unhealthy tendencies in organization and personnel work should be resolutely rectified.

The key to enabling the work concerning cadres to meet the needs of socialist modernization is to implement the principle of the "four transformations," to be impartial and honest, and to appoint people on their merits. Whether or not this is put into effect will produce a direct impact on whether or not socialist modernization can be successfully carried out, on whether or not the continuity of the party's Marxist line and policy can be maintained, and on whether or not the state can enjoy long-term peace and stability. Leading cadres at various levels will experience a severe test regarding this problem, which has an important bearing on the overall situation. They will face a test of whether they have strong party spirit, a high ideological level, and good political quality. Leading cadres who fail to stand up to such a test are not entitled to be qualified leaders, even though they do not have any problem with their conduct and money matters.

Some people say that they want to abide by the principle of the "four transformations" when appointing cadres, but in practice they select and appoint cadres by their own standards according to the feudal patriarchal clan system or kinship. This results from backward and outmoded ideas. So we are reminded that we should not underestimate the negative influence of erroneous ideas, and selfish ideas in particular, on the party's work concerning cadres. Only when leading cadres and cadres in charge of organization and personnel departments take the initiative in boldly ridding themselves of their backward and decadent ideas with regard to appointing people can they resolutely resist and overcome unhealthy tendencies in the work concerning cadres and appoint people on their merits. Ideological education in "appointing people on their merits and opposing appointing people by favoritism" should be earnestly and persistently disseminated among cadres at various levels, and in particular among leading cadres in party and government organs as well as in organization and personnel departments. This should be taken as an important component of education in party spirit. Sustained efforts should be made to rectify unhealthy tendencies in organization and personnel work, and this should be taken as an important component of the rectification of party style.

Whether one can appoint people "on their merits" instead of "by favoritism" depends on whether one is impartial and honest.

Problems of belittling talented cadres and practicing nepotism are always accompanied by unhealthy tendencies in organization and personnel work. Therefore, to enable cadres in charge of organization and personnel work to be impartial and honest in appointing people, it is necessary to constantly enhance their sense of keeping the public interest in mind and their responsibility for selecting talented people. Apart from reiterating the necessity for adhering to the basic principles and disciplines in the work concerning cadres, the central authorities have also promulgated a series of regulations for selecting and appointing cadres. For leading cadres and cadres in charge of organization and personnel work who abide by party discipline, there is absolutely no problem in implementing these regulations. These regulations will help stimulate their sense of responsibility for selecting and appointing talented people.

Exercising strict discipline over organization and personnel will be an important guarantee for holding firm to the principle of appointing people on their merits and for being impartial and honest. Whoever violates discipline concerning organization and personnel work must be criticized and dealt with without exception. People who ignore discipline concerning organization and personnel work and who abuse power for personal gain are not entitled to do leadership work or work concerning cadres. Party organizations at all levels are required to strengthen their supervision over the implementation of discipline concerning organization and personnel work. They should be impartial and incorruptible in solving whatever problems they discover. So long as leading cadres at all levels can follow the central authorities' circular and strictly abide by discipline concerning organization and personnel work, they will surely be able to stop unhealthy tendencies in appointing people, to shoulder the heavy responsibility for selecting and using cadres, which has an important bearing on the future and destiny of the party and the state, and to blaze a new trail in the work concerning cadres.

IMPROPER MEANS FOR CORRECTING UNHEALTHY TRENDS SEEN

HK270138 Beijing RENMIN RIBAO in Chinese 24 Mar 86 p 1

["Short" commentary: "Do Not Ask Everyone To Make Self-Examination in Correcting Unhealthy Trends"]

[Text] At present, the work of rectifying party style and correcting unhealthy trends is focused on the major, important cases and is progressing healthily. The central organs and the Beijing municipal authorities have set examples, and various localities have followed suit, in carrying out this work in accordance with the six requirements put forth by the General Offices of the CPC Central Committee and the State Council in their circular on solving the several serious problems currently existing in the work styles of the public organs. Leaders at various levels have taken the lead in seriously making examinations and have started to improve the work styles of the public organs. Initial results have been achieved.

In carrying out this work, a few units have inappropriately expanded the scope of investigation and adopted oversimplified methods. For instance, instead of concentrating on investigating some violations of law and discipline, they issue questionnaires and ask everyone to reply to them. Some localities even ask everyone to report to his organization on his daily life including on matters which are purely personal. This method of work reflects at least a serious misunderstanding of the CPC Central Committee's general and specific policies on rectification of party style and will inevitably have evil consequences. The CPC Central Committee does not approve of it. Nevertheless, the number of violators of law and discipline among the cadres is very small. "Asking everyone to reply to a questionnaire" is at variance with the policy of the CPC Central Committee. A correct way is to realistically investigate and handle the matters of those who have violated law and discipline.

The work will be messed up if the scope specified by the CPC Central Committee is overstepped and one's proper economic activities are investigated wantonly, and if everyone is involved and asked to make self-examinations. This phenomenon deserves attention although it is somewhat isolated. Those units which have acted in this way should adopt proper methods to make corrections.

In the course of rectifying party style and correcting unhealthy trends, the cadres at various levels, the leading cadres in particular, must take exemplary action to carry out the relevant instructions of the CPC Central Committee. We must show with facts the communists' determination to wipe out all incidence of corruption. At the same time, we must pay close attention to the party's policies. All localities and units must act according to the relevant stipulations laid down by the CPC Central Committee. They should neither formulate their own rules nor act willfully.

CREATIVE FREEDOM, SOCIAL OBLIGATIONS EXAMINED

HK251340 Beijing GUANGMING RIBAO in Chinese 7 Mar 86 p 3

[WENYI BAO commentator's article: "Freedom of Creation and Sense of Social Responsibility of Literature and Art Workers" -- originally published in WENYI BAO, February 1986]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the party has completed bringing order out of chaos where ideas guiding literature and art work are concerned. It has restored and developed the Marxist-Leninist guideline for the party's literature and art and exercised steady and correct leadership over literature and art. An unprecedentedly favorable situation has appeared in our socialist literature and art. Comrade Deng Xiaoping's congratulatory speech at the fourth congress of Chinese writers and artists and Comrade Hu Yaobang's speech at a forum on the writing of scripts are landmark documents on the party's literature and art in this period.

In a congratulatory speech given on behalf of the Secretariat of the CPC Central Committee at the fourth congress of the Chinese Writers Association held more than a year ago, Comrade Hu Qili once again emphasized the party's literature and art policy. This elicited a keen response from the comrades present at the meeting and from literature and art workers throughout the country.

After fully affirming the tremendous achievements scored on the literature and art front since the 3d Plenary Session of the 11th CPC Central Committee, the "congratulatory speech" pointed out that we must build socialism with Chinese characteristics and must judge all work on the basis of whether it contributes toward the state's prosperity and power and the people's wealth and happiness. Literature and art are manifestations of the spirit of the era and a driving force behind the advance of the era. Fundamental socialist tasks and the fundamental tasks of the party and the people are naturally also the fundamental tasks on the literature and art front. Striving to reflect our great era and use great communist ideals in educating the people is the most glorious mission of socialist literature. The "congratulatory speech" expressed the hope that our writers and artists would strive to become familiar with the interests of the state and the people and with the laws governing social development and changes, and to understand and fulfill their own social obligations; fight decadent capitalist thought and the remnant poison of feudalism, and use creations with high standards to serve the people and serve socialism. Mistakes and problems in creation can generally only be solved through literature and art criticism or comments, discussions, and debates. The "congratulatory speech" pointed out that creation must be free and comment should also be free. Without such freedom of expression of feelings and ideas, we cannot possibly produce works which have an aesthetic influence and the effect of acquainting people with ideas, thus educating them.

Therefore, the party and the state must provide the necessary conditions and create the necessary environment and atmosphere. Writers' individual thoughts and feelings and the whole process of creation must be compatible with such an environment of freedom provided by the party and the state.

The "congratulatory speech" reflects our party's firm principled stand and is full of understanding, love, and expectations when it comes to socialist literature and art. It is a continuation of a series of literature and art policies made since the 3d Plenary Session of the 11th CPC Committee. It also carries great realistic significance. Its fundamental spirit is entirely at one with the speech given on behalf of the CPC Central Committee and the State Council by Comrade Deng Xiaoping at the fourth congress of Chinese writers and artists in October 1979. This is to say that writers' freedom in writing is closely related to an inseparable from their sense of social responsibility. On 8 February 1985, Comrade Hu Yaobang, in an important speech entitled "On the Party's Journalism Work," reaffirmed the CPC Central Committee's guideline on freedom of writing and provided a penetrating explanation. After this, Comrade Hu Yaobang on many occasions gave repeated explanations of the party's literature and art guidelines. This has helped comrades within and outside the party, primarily writers and artists, to further deepen their understanding of the party's literature and art guidelines and the matter of creative freedom. It is precisely under the inspiration of the party's literature and art guidelines and under the stimulation of the modernization campaign and the overall reform begun launched throughout the country that an unprecedentedly lively and colorful situation has appeared in literature and art work. The positive, persevering spirit and revolutionary fervor displayed by the masses of literacy and art workers should also be fully affirmed.

In the past year, a noteworthy phenomenon in creation is that there has been gratifying development in writers' individual character and the features of art. Comprehensiveness in the choice of subject matter, novelty in approach to writing, and the variety of styles have exceeded levels in any previous given period. Some works oriented to reality have provided our era with rousing songs to forge ahead. Some emphasize revealing urgent social problems to arouse people's proper attention. Some are devoted to portraying matters of ethics and moral principles and subtle changes in social mentality. Some draw on modern Western concepts of literature and art and the means of depicting certain states of mind on the part of a number of young people today. Some have explored things in a search for the cultural mentality of our nation. The success or failure of these works as exercises in practice and as literature and art phenomena, and whether they help to fulfill our needs in building socialist spiritual civilization, depends on penetrating study and the judgment of history. But the many features shown by the large number of works (such as the trend toward ever increasing variety, multiple levels, and multiple angles (in creation) have very seldom been seen in previous works.

There has also been prominent progress in criticism in the theoretical field. The criticism of literature and art is no longer confined to the explanation and assessment of works. Instead we have begun to make an overall analysis of representative writers and artists and a comprehensive survey of literature and art phenomena. An exploratory spirit has appeared marked by the expression of individual views or the citing of what one has seen. The introduction, promotion, and application of certain viewpoints and methods related to modern Western literature and art theory or cultural theory (which obviously contains modern Western degenerate theory) and the inevitable controversy arising therefrom have aroused the widespread interest and concern of people in literature and art circles. This has initially shown the importance of the problem of exploring the laws governing literature and art and the necessity of a correct approach toward the influences of foreign thought.

The appearance and development of new people in literature and art are similarly marked with the features of this era.

Such people are not only numerous and widely distributed over different areas, but often reflect their individual traits of creation and unique styles formed on the basis of their own experiences in life once they emerge on the literary scene. Some writers' performance in practice may not be satisfactory and some commentators' suggestions may not be convincing, but their pursuit of art has really produced a certain stimulatory effect on the development of our literature and art. The past year has witnessed active participation in writing and criticism and the emergence of talent. This shows that the guideline for literature and art defined by the "congratulatory speech" is compatible with the laws and characteristics of the development of literature and art and is full of vitality. It has aroused enthusiasm and creativity in writers and artists and carved a broad path for the further emancipation of forces in the production of literature and art. Meanwhile, it also shows that most of the writers and artists support the "congratulatory speech" and are capable of consciously applying the spirit of the "congratulatory speech" as a guideline for their practice in life and creation.

Reviewing and making an overall assessment of the situation in literature and art, we must also note that there are still deficiencies in our literature and art efforts. We must admit that when it comes to satisfying the people's ever increasing demand for socialist literature and art, the activity of writers and artists has hardly reached the highest level of development. Of the large number of works which have appeared, there are still not many of those fine works that actively reflect many aspects of real life in the contemporary era, portray images of new socialist figures, help the healthy mental growth of the younger generation, and properly combine ideology and art. Some comrades show a certain degree of indifference and disdain the sizzling reality of modernization and reform. In a departure from socialist reality, some comrades favor preaching abstract human nature, favor social pessimism ridiculing everything and doubting all social progress, or even play up human sexuality in an isolated manner with social content omitted. Some comrades have tolerated a flood of vulgar reading material surging forth in a given period with disastrous consequences and with an impact on the healthy development of serious literature and art. In the matter of theoretical criticism, there have not been many effective comments which uphold the use of fundamental Marxist principles in penetratingly analyzing contemporary literature and art phenomena and foreign schools of literature and art or cultural philosophy (especially contemporary schools of thought which were for a time all the rage in the West and which have had an impact on a number of young people in our country, as chiefly represented by the writers Eliot, Joyce, Kafka, Faulkner, Sartre, Camus, Beckett, and others, and philosophers like Nietzsche, Bergson, Husserl, Freud, Spengler, Heidegger, and others). Some writers, commentators, and editors have consciously or unconsciously separated the freedom of creation and the freedom of criticism for literary and art workers' social responsibilities. They have onesidedly stressed the former to the neglect of the latter. They have even come out with the idea that the freedom of creation can be enjoyed without considering the interests of society and the public and their own social responsibilities. Of course, this falls into the category of non-essentials. A realistic solution to all the above problems is aimed at protecting the healthier development of essential matters.

The year 1986 has come. The Seventh 5-Year Plan has begun to be effected. Our socialist reform is being launched in an overall manner. The building of socialist material civilization is proceeding in a more active manner. The role of literature and art in building socialist spiritual civilization and the role of the latter in the cause of socialism as a whole have become increasingly more important. On the basis of the tremendous achievements we have scored, our literature and art should go a step further, making further contributions toward the building of socialist spiritual civilization in line with the demands of the era.

We must uphold the freedom of creation and further strengthen the sense of social responsibility on the part of writers and artists. The "congratulatory speech" concisely pointed out that there must be freedom of creation for writers and artists.

Only given the fullest development of an individual's creativity and imagination and of his unique life experiences, unique views, and unique skills of artistic expression can his mental efforts in creative literature and art produce fine works with style of their own and set people thinking. Any attempt to artificially tamper with the creative freedom of writers and artists can only be manifestation of bureaucratic ignorance of literary and art activity. Meanwhile, any writer or artist exercising creative freedom cannot depart from given social historical conditions and social criteria. Absolute, unconditional, and abstract freedom of creation does not actually exist. At present we are working on reform and modernization. The success or failure of the effort in reform and modernization has a bearing on the future of the state and the destiny of the people. Our literature and art workers can never assume an indifferent attitude.

We are building socialist spiritual civilization. The raising of spiritual civilization to a higher level bears on the spiritual outlook of our nation. Literature and art workers can never treat things with detachment. Our attitude is that we must fervently affirm all that is conducive to modernization and the building of spiritual civilization and fully negate all that is harmful to modernization and the building of spiritual civilization. Lu Xun said: Literature is militant. Today we must continue giving full play to the militant role of literature and art. Of course, the social functions of literature and art are multifaceted. All works that directly or indirectly help to raise people's ideological level, moral standards, and sense of values, and all works that contribute toward improving what are usually called the manners and morals of the times are what society needs. Writers enjoy full freedom in what they write and how to write. But the interests of the people are, in the final analysis, the starting point and the aim of all activities of creation in our socialist literature and art.

Any work of real value in history is a result of a writer's or an artist's creative freedom in a given historical environment. Such freedom of creation is also inseparable from a writer's solemn attitude toward creation, his deep understanding of the laws of social development, and his sense of responsibility toward society. In creating a work, some writers or artists may subjectively think that this is the way to satisfy themselves. Actually, except in extreme cases where there is basically no desire for publication or presentation (creation even in such cases is also unlikely to be free from the restraints of given social historical conditions), they cannot avoid considering what kind of readers, spectators, or listeners they will have and what kind of reaction is likely to result. The whole process of artistic creation is a process of freedom of creation and the sense of social responsibility acting upon each other, even though different writers in different societies will have different senses of social responsibility. Actually, given no recognition of or an escape from the sense of social responsibility, we can hardly be creative. For writers and artists with ideals and with passion, this is entirely inconceivable. Therefore, the argument on the social effects of works put forth by Comrade Deng Xiaoping at the fourth congress of Chinese writers and artists, the point raised in Comrade Hu Qili's "congratulatory speech" about writers and artists' sense of social responsibility, or the point raised at the National Conference of Party Delegates last September that we must base all ideological and cultural activities on social benefits as the only criterion and oppose bourgeois liberalization -- all these are compatible with the laws governing the development of socialist literature and art and reflect a correct understanding of inherent features in literature and art on the part of our party and the people of our country.

For writers and artists, entering a real state of creative freedom is not necessarily something that can be easily done. Apart from serving the people and complying with socialist rules, they must have the people's life at their fingertips and a real grasp of artistic means. Both life and art have their own objective laws. The realization of freedom is a process of understanding objective laws and successfully applying such knowledge to practice.

Only with the characteristics of the era, the interests of the people, the traits and mentalities of various types of figures, various social phenomena, and scerves of life brought before the eyes of a writer and inculcated upon his mind, and with his grasp of a certain means of artistic expression, is he able to rid himself of blindness and overcome the plight of having too many problems with which to cope. In regard to this, Comrade Zhang Guangnian provided a very good illustration in a report given at the fourth congress of the Chinese Writers Association on behalf of its presidium: "Only when he has thoroughly understood himself and thoroughly understood the people's life, wishes, and demands; only when the passion for creation that burns in him subjectively is derived from the tides of a wide-ranging era and is in step with the pace of the march of history; and only when his works can really reflect a given era and are understood and liked by the masses, can a writer's freedom of creation be developed most fully and effectively." This means that only when a writer or artist plunges into the masses vibrant life of actual struggle and uses Marxist viewpoints and artistic sensibilities to observe, become acquainted with, participate in, understand, and explain social life and to have social life at his fingertips can he achieve real freedom in creation, let his sense of social responsibility merge with and permeate his own writing with complete freedom, do away with anything superfluous, and be in his element in artistic creation.

Life is a source of creation. Deep involvement with life and with the masses provides the basis for realizing the combination of freedom of creation and the sense of social responsibility. Life envisioned in the minds of writers and artists or what they see and hear around them in everyday life is also life and provides social significance and artistic value. This is a truth that cannot and should not be negated. But equally true is that no matter how beautiful, dewdrops that reflect sunshine cannot equal the brilliance of the sun itself, nor can they encompass everything in the world which is bathed in sunshine. We have heard writers and artists say more than once: We are in a great era of inheriting the past and ushering in the future, carrying forward the revolutionary cause and paving the way for the future. Unprecedentedly swift changes are occurring in the people's life and national spirit. In this great historical period of great change and great development, if we divorce ourselves from the masses and shut ourselves off from the world, missing the chance to personally live and observe contemporary life, we would live to regret it. Losses cannot be remedied where our artistic history and that of society is concerned. Such a state of mind is sincere and well justified.

Some writers and artists have headed for the forefront of urban reform and modernization. More writers and artists are readying themselves and are poised to enter the swift currents of life to participate in creating this great historical process. We believe that an upsurge in efforts to live among the masses will appear. Literary and artistic creation is complicated and exacting mental work. Recognizing and penetratingly reflecting new conditions and new problems in the process of urban and rural reform and modernization is not something any writer or artist or any artistic form can quickly achieve. We cannot be impatient for immediate success and impose requirements others can hardly accomplish. We cannot confine ourselves to collecting some caricature-like works as presentable. But a new situation has begun. A period of revitalization has started. The road to the building of socialism with Chinese characteristics has been found. A bright future is unfolding. There should be many new people devoted to reform and modernization that emerge from among the masses! There should be an upsurge of stirring new things appearing over our vast land! In distinguishing between true and false, between good and evil, and between the beautiful and the ugly, and distinguishing manifested features in the complicated phenomena of life, certain tough problems do exist. For that matter, even certain obstacles and undeserved accusations will be encountered. But what we need is loyalty to the people's cause, a true understanding of the facts of life, and the kind of courage that allows no turning back where honor is concerned.

This is in line with the actual situation on the literary and art front. We must continue increasing possibilities for literature and encourage all attempts at creating the new things that help the development of socialist literature and art. We must resolutely oppose anyone using the need to stress the social effects of works and the writers and artists' sense of social responsibility as an excuse to artificially restrain the freedom of creation and intervene in the activity of creation. Hard work that costs writers and artists in exploration is an important part of the people's activity to make history in socialist construction and naturally will win the respect of the people and the protection of the laws of the state. Under such an excellent situation and in an environment where the party and the people place full confidence and high expectations in our literature and art workers, we must actively plunge into the currents of reform and modernization, become acquainted with and cherish rich and complicated social life, raise the ideological level of discerning the phenomena of life, and uphold the Marxist stand, viewpoints, and methods in making criticisms in the theoretical field. This is something that should be done in continuously upholding the spirit of the "congratulatory speech."

In an important speech at a conference of cadres of central organs on 9 January this year, Comrade Hu Yaobang pointed out: "In a situation where we have a correct line, a clear-cut blueprint, and a set of favorable conditions, an extremely important problem is to further arouse the revolutionary spirit of the masses of party members and cadres and millions upon millions of people. Is not the title of the new year editorial of RENMIN RIBAO called 'Let the Spirit of the Foolish Old Man Who Removed the Mountains Fill the whole of China?' To promote the spirit of the foolish old man, in my opinion, is to turn the coming 5 years of the 1980's into 5 years of unity in struggle, 5 years of down-to-earth struggle, and 5 years of firm struggle." How can our literature and art workers not be moved by this and not do their utmost to make still more solid and more outstanding contributions?

LITERATURE, ART SERVING TWO CIVILIZATIONS URGED

HK261328 Beijing HONGQI in Chinese No 6, 16 Mar 86 p 2

["Forum" column: "Literature and Art Should Better Serve the Two Civilizations" -- article reprinted in the 15 March edition of GUANGMING RIBAO]

[Text] The general situation of China's literature and art circles is fine, with a number of good works and talented people emerging in recent years. The ideology and sentiments of the literature and art workers are sound on the whole. However, we must see that weakness and slackness in leadership and unclear guiding ideas still exist in this field, and that the influences of decadent schools of literature and art from capitalist countries and other erroneous things are not given due resistance or solutions. As a result, we have for some time witnessed such abnormal phenomena as blind worship of Western bourgeois literature and art and imitation of some vulgar styles in Hong Kong and Taiwan literature and art. The appearance of some literature and art works unhealthy in ideological essence and of low taste have affected some of our literature and art workers and produced some negative social effects. This is out of line with the building of socialist spiritual civilization and deserves the intense attention of the whole party.

In order to make literature and art better serve the building of socialist material and spiritual civilizations, the most important thing at present is the need to further clarify the guidelines of literature and art. The literature and art field has in recent years neglected propaganda and education about Marxist thought in literature and art. It has failed to analyze and criticize the bourgeois views belonging to various Western schools of literature and art which find their way into China.

Moreover, such bourgeois views have been adopted by some of our literature and art critics in their observation and discussion of Chinese literature and art. Such a practice has resulted in the corruption of some young people (including some promising young writers) by Western bourgeois decadent ideas, ideas of modern decadent schools in particular. Ours is a socialist country; we must adhere to Marxist ideological principles. Of course, Marxism should develop continuously with the march of the times, but the basic tenets and the many theses on literature and art and aesthetics in the Marxist ideological system are still of important guiding significance to our literature and art undertakings today. Therefore, in the building of socialist material and spiritual civilizations, Marxist theory in literature and art and aesthetics must be promoted and popularized in a big way; otherwise, literature and art work will go astray.

Strengthening propaganda and education about Marxist thought in literature and art must be linked with summing up and studying historical experiences. For decades, our revolutionary literature and art has played a tremendous role in invigorating a national militant spirit, resisting foreign invasion, dealing blows to aggressors, promoting the great unity of all nationalities, and building socialist New China vigorously in high spirits. It is entirely wrong to adopt a nihilist attitude towards the revolutionary traditions of literature and art. We should sum up our experiences in earnest, bring forward the fine traditions, and create more excellent works worthy of the expectations of our times and our people in the new historical stage of reform and construction.

Literature and art is an important component of the building of socialist spiritual civilization. Party committees and departments responsible for culture at all levels must strengthen leadership over literature and art work. Cadres, writers, and people in the performing arts who are engaged in literature and art work must take social benefits as the highest criterion and render service in the greatest interest of our nation and people at present -- realizing socialist modernization and upgrading the mental attitude of the people. We must be bold in criticizing some phenomena of partaking in spiritual pollution, and at exercising discipline. Of course, problems within the realms of politics and ideology should be solved with ideological education as the key and the correct unfolding of criticism and self-criticism. We must refrain from labelling others arbitrarily. It is necessary to further clarify that criticism, education, exercising discipline, solving existing problems in the contingent of literature and art, and overcoming some negative phenomena are precisely to make our contingent of literature and art workers still more purified and strong, and to make them still more reliable, cherishable, and respectable to the party and the people, and play a still greater role in socialist modernization.

SUPPLY IMPROVEMENT, DEMAND CONTROL DISCUSSED

HK230810 Beijing RENMIN RIBAO in Chinese 10 Mar 86 p 5

[Article by Wu Jinglian, Hu Ji, and Li Jiang: "On Control of Demands and Improvement of Supplies"]

[Text] On 13 January, at the national planning conference and the national economic work meeting, Premier Zhao Ziyang expounded the present economic situation and this year's tasks. He pointed out: Over the past year, the CPC Central Committee and the State Council adopted a series of measures for strengthening macroeconomic control and eliminating the unstable factors of economic life. They scored great successes in these areas and greatly improved the situation in which the general demands of society were greater than supply. At present there are still unstable factors in economic life. There was also the practice of acting "indiscriminately" last year when we withdrew money from circulation and controlled the amount of money introduced into circulation. In light of these conditions, he stressed that this year we should continue to strengthen macrocontrol and pay special attention to improving it.

We should control demand and improve supply, and should reduce the excessively rapid growth rate and maintain an appropriate growth rate on the basis of striving for economic results. The main purpose of economic reform is to "consolidate, assimilate, augment, and improve" those policies which were introduced last year, while making preparations for making further great achievements next year. It is of great importance for us to firmly grasp this point, for it plays an important part in this year's economic work.

The General Economic Situation Decides the Principles Which Should Be Followed

It is obvious that the series of measures taken in the latter half of 1985 for strengthening macrocontrol have been effective. They have relaxed the "over-employed" economy and the tension which had developed since the fourth quarter of 1984. On the other hand, however, the present national economy is just undergoing a change from a tense to a relaxed situation, rather than becoming totally relaxed. We have not completely eliminated the fundamental causes of the development of tension. The task of controlling the investment and consumption demands and stabilizing the economy is still very arduous. Since July 1985, the trend of increasing the investment in fixed assets has been weakened. Generally speaking, however, the scale of investment is still greater than what the national economy can bear. Furthermore, there is a danger of developing another increase of fixed assets investment. At present there are many large and new projects requiring a large amount of additional investment at a later stage. In particular, after October 1985, the scale of investment was increased again and the number of new projects was sharply increased, thereby exerting very great pressure for further expanding the investment scale in the future. The control over consumption funds should be more complex. In administrative unit and institution wage reform, many of the units and institutions returned to previous mal-practices. Due to many unexpected factors, the consumption funds of enterprises face the possibility of loss of control, bringing the phenomena of irrationality and not getting happiness or bitterness as one deserves, as well as bringing strong repercussions in society regarding the differences in wages. These have made the control of consumption funds more difficult. Therefore, we must by no means treat lightly the issue concerning the increase of demands in economic life and that concerning the practice of putting too much money into circulation. For a considerable length of time in the future, we must continue to exert macrocontrol over total demands.

At the same time, we must realize such a situation: Under the circumstances last year when the economic structural reform had just started and the economic relationship was not yet in order, we could not but focus our macrocontrol on direct administrative control. Such a step was necessary at that time. However, it had an inevitable shortcoming of "acting indiscriminately." Moreover, it emphasized passively reducing the increased demands but had difficulties in positively improving supply by improving economic results and was unable to produce more with reduced investment. It also could not basically eliminate the profound cause of having the increase in demand greater than supply. In light of these problems, we must pay attention to improving macrocontrol and supply while continuing to strengthen macrocontrol.

To "Improve Supply," To "Expand Demand"

Some comrades hold that in the second half of last year, China excessively withdrew money from circulation. It should readjust the macroeconomic policy, which was rather tight, should take a relaxed attitude toward the control of total demands; and should improve the structure of the national economy under the prerequisite of increasing supply. This opinion is worth studying.

Over the years, China has been facing the problem of a dislocation of its national economic structure.

In other words, there have been many problems concerning the industrial structure, departmental structure, product structure, regional structure, the structure of scales, the structure of technology, and so on in the national economy; concerning the irrational allocation of natural resources; and concerning the damage caused in terms of social effects and economic results. Therefore, in the final analysis, our major task is to improve the economic structure. At the same time, since there are shortcomings in macrocontrol, which causes difficulties for some enterprises when circulating their liquid capital, we should also take measures to deal with this.

The point is: What should we do now in order to improve China's economic structure? There are two different methods of readjusting our current economic structure: One of them is to readjust the structures, to reduce the "surplus" amount, to solve "shortage" problems, and to improve the allocation of natural resources and the economic scale through various policies and measures, while continuing to strictly control total demand. The other is to readjust the structures under the prerequisite of taking a relaxed attitude toward the control of total demand; that is, we should on the one hand increase the purchasing power so as to absorb the surplus stock that has developed through control, and on the other, increase the supply of investment and goods for links which cannot cope with the demand of the production chain, thereby promoting the economic growth rate to a new plane. We hold that in order to make the right choice, we must first analyze our national economy and see if there is or will be a "recession," which has been predicted by some comrades. In terms of industrial production, the growth rate was gradually reduced after July 1985 until November 1985 when it reached the level of 8.8 percent. The rate bounced back to 10.2 percent in December, but fell again to the level of 5.6 percent in January 1986. What must be borne in mind is that the growth rate in the fourth quarter of 1984 was very high. Based on this level, the monthly average growth rate in the fourth quarter of 1985 was above 10 percent. Therefore, the daily output level was still high. Moreover, the word "reduction" here refers to the growth rate rather than the absolute level of production. Therefore, we must by no means confuse this situation with the zero or negative production growth phenomenon which occurs in the economic cycle of capitalist countries, or with China's absolute reduction of production value in 1958-1959 and 1967-1968. Otherwise we shall reach a conclusion that the principal direction of the macroeconomic policy should be changed and replaced with the adoption of "anti-recession measures."

Of course, since September 1985, the average industrial growth rate in China has dropped by more than 2.5 percent per month. We must treat this seriously when judging the speed of reduction. Even though we confirm that the speed of reduction has been too rapid, we must still specifically analyze the causes for this abnormal situation, rather than simply placing the blame on insufficient demand. We should realize that the economy of China is still restrained by resources. The effective restraining factor is the "shortage" of resources such as electricity, power, and raw materials. This differs from the situation of market economy in the West, which faces the "shortage" of demand, that is, insufficient purchasing power. Everywhere we can see that some comrades try to promote development speed. Therefore, the general situation of "overcooling" is by no means the principal danger. Under these circumstances, no matter whether we implement annual plans or mid-term plans, it will be easy for us to maintain the speed at an appropriate level by appropriately increasing the supply of money or other methods, in case there is the tendency toward insufficient demand.

It is more difficult to solve the issue of a reduction of the growth rate caused by the shortage of resources. The tightness of the "shortage" has made part of the productive forces lie idle. We cannot solve this by issuing more banknotes and increasing demand; neither can we use the method of importing the resources on large scale because of our limited foreign exchange resources. Instead we can only compensate for the situation by improving the use of the resources while increasing the production of resources which are in short supply. This requires us to improve the economic structure and the economic results.

The experience of China in socialist construction over the past 30-odd years has shown that under the situation of "overemployment," the contradictions of the structure are fully reflected. But since various sectors of the national economy are tightly restrained, it is very difficult to solve the structural contradictions at this stage. This is because we must implement correct economic development strategy and industrial policies in order to improve the economic structure. Specifically, we must switch the strategy from one of "catching up with and surpassing others," which only emphasizes speed but neglects economic results, to the strategy that, under the prerequisite of emphasizing the economic results, the speed is maintained at an appropriate level, and the people will get more practical benefits. We must switch the unbalanced strategy of putting undue emphasis on heavy industry and direct production capacity to that of coordinated development with focal points.

We must switch from the strategy that mainly depends on the increase of investment and extensively expanded reproduction to the one that mainly depends on the improvement of investment-output ratio and on intensively expanded reproduction. We must switch from the former foreign trade strategy which helps supply each other's needs, makes redistributions for goods in abundant and short supply, and meets demands by import, to the strategy of improving the foreign exchange earning capacity of products and promoting the growth of economic results of the national economy by using the international division of labor and the participation in international competition. All these can only be achieved with control of the growth rate and in relatively easy economic circumstances. For a long period in the past, the excessively large scale of capital construction greatly reduced the investment returns and the excessively high growth rate adversely affected the allocation of resources and the operation results, thereby affecting enterprise operations and management and the progress of technology. To put undue emphasis on the recent speed of construction also distracts us from attaching importance to the causes of science, technology, and education, thereby bringing about a series of problems. Therefore, we agree on this suggestion: We must change the tense situation into a resource for promoting economic results. Judging from this viewpoint, it is necessary for us to seriously handle the situation of early this year in which there has been the tendency for regional structures to deteriorate, which is reflected by the negative growth of industrial production in some large cities.

Some comrades liken the present situation in which the increase of demand is not yet completely under control and the increase of supply is just minimal, to the situation of "stagflation" which has appeared in Western countries. They hold that we should prevent this by increasing purchasing power. In fact, even though there is really "stagflation" in the national economy, to support the economic growth by manually expanding the effective demands is by no means a proven recipe for helping the good and driving out the evil. Rather, it is a remedy which is worse than the disease. The economic development history of some Western countries since World War II has clearly shown that the major reason for "stagflation" is because they adopted for a time some erroneous "antirecession" policies. The characteristic of these policies is to use inflation to make up for the insufficiency of effective demand. Though the policies maintain a temporary prosperity, they hinder the improvement of economic results. This made the countries resort to heavier and heavier doses of "stimulants" for inflation. Therefore, the economies sunk deeply and were unable to extricate themselves from "stagflation." Our economic development must focus on the improvement of economic results rather than on speed. Similarly, we must not simply "increase demand" or increase the growth rate at the expense of economic results. Instead, we must "improve supply" that is, make supply improve by basing it on the improvement of economic results.

To "Take a Relaxed Attitude Toward the Control of Total Amount" or To "Improve Macrocontrol"

Some comrades hold that at present, some enterprises do not have sufficient liquid capital, showing that the supply of money is insufficient.

They urge making the money supply easy in an all-round way. This proposal does not conform to the actual condition. Judging from the overall situation of society at present, the money supply is already easy instead of tight. Though the amount of last year's net cash investment fell short of the assigned target, the amount included such factors as the reduction of foreign exchange amount and the surplus stock of agricultural products. On the other hand, to a great extent, the amount shows that the total credit scale of gross money supply exceeded the growth rate ceiling by a big margin. If we make the money supply easy in a comprehensive way under these circumstances, we shall worsen the situation between the total supply and total demand of society, which is already not in tune. Some enterprises face the problem of having insufficient liquid capital because of the following reasons, which are not to be ignored: First, there are "definite gaps" of necessary liquid capital because the scale of fixed capital investment is too large; and second, there are loopholes in credit management so that some "suitcase companies," which bring negative social effects and which have no proper business, took with them the portion of credit that should be used to replenish the liquid capital. Therefore, under the prerequisite of strictly controlling the total amount of investment and credit, we should particularly increase the credit of liquid capital of some enterprises which bring about good social effects and really need the capital.

We should realize that under China's present economic system, there is an absence of an internal mechanism which can automatically reduce the flow of capital. Since the founding of the PRC, there have been several times when the national economy was "overemployed." These were eventually solved by the method of sharp braking. Consequently, the economy rose and fell sharply, and the losses were very great. As we followed the principle of "soft braking" this time, the intensity of the effect was not as great as before. Instead of rising and falling sharply, the economy rose sharply but fell only slightly. Instead of solving problems at one stroke, we solved them gradually. Therefore, time was needed. In other words, we resorted to the external force of administrative methods when dealing with the "overemployed" economy; whereas the administrative decisions were made under the condition of the resources being restrained. Our experience over the past 30-odd years has shown that because of the inherent tendency of the old system in which we pursued the growth rate of output, the scale of investment, and the increase in amount, we can manage to accomplish, without mass mobilization, the task of maintaining the economic growth rate at a considerably high level, even under the condition of excessively importing the resources and anticipating our revenue in order to meet the demands in those departments. On the other hand, to cut back the growth rate and cool down the "overemployed" economy to an appropriate level is not an easy job because this will affect the interests of various departments. In particular, under the present situation in which the decision-making power of departments is separated from the local administration, a situation formed in recent years, the interests of various departments and regions are closely linked to the economic growth rate. It is therefore very easy to promote a nationwide "overemployment" in the economy, under which the departments and regions vie with each other to increase the growth rate. It is not easy to cool down the situation in a comprehensive way, thereby shrinking production.

In other words, in light of these circumstances, our solution to the problem should be the improvement of macroeconomic management rather than taking a relaxed attitude toward it. We all know that the tendencies of expansion and investment are inherent weak points of the old system. In the 30 years since the founding of the PRC, we have suffered quite an ordeal brought about by the "inflation -- reduction" circulation of this system. Therefore, there is no way out if we return to this old system. In the first half of last year, we restored the practice of exercising direct administrative control over the situation of out of control supply and demand. It indeed brought remarkable short-term achievements. However, this method dampened, to a certain extent the vitality of the economy. Therefore, it is not favorable to fundamentally improve supply and completely eliminate unstable factors of the economy.

It seems that an important point of improving supply is to improve the method of exercising control under the prerequisite of strengthening macrocontrol, and to gradually switch the focal point from direct administrative control to indirect parameter control. All these can be achieved through the promotion of economic structural reform.

Under this year's conditions in which the economy is still tight, it is of course impossible to have reforms made headway. However, we should not entirely stay where we are in this year's reforms. Our reforms over the past years have not paid enough attention to the coordinated tasks, so that there is opening up and invigoration of the microeconomy and the management of the macroeconomy. We must promptly make up for this weak point so that the new economic mechanism will be complete and will bring about results at an earlier time. For this reason, we have carried out the work of consolidating and assimilating the price and wage reforms which were introduced last year. Moreover, in the area of improving the control of fixed assets investment, we must check the projects under construction and readjust the structure of investment. We must also quicken the circulation of liquid capital. In regard to the financial system, we must conduct reforms in the areas of encouraging savings, improving services, and rationally using credit funds. In regard to invigorating enterprises, we should reduce the readjustment tax levied on large and medium enterprises and increase their rate of depreciation, so that these core enterprises possess the vitality for self-development. At the same time, we should promote the extensive economic links among regions and departments and promote the rationalization of enterprise structure.

Strive To Make an Important Step Forward Next Year

The profoundly significant work of this year in reform is to make preparations for further reform in terms of theoretical study, formulation of plans, training of cadres, and the building of organizations, so as to ensure that measures that will affect a wider scope will be introduced next year.

In regard to measures that will be introduced next year to assist reforms, we should plan carefully in connection with our analysis of the present system, the need for further reform, and the provision of objective conditions. For example, we may propose reforms for assisting the work in three areas of the economic system:

First, further perfecting the system of a competitive market is the basic condition for ensuring that the spontaneous business activities of enterprises are constantly under macroeconomic restrictions and for ensuring measures for macroeconomically readjusting the enterprises through the market. We should try our best to arrange well the economic parameters (including commodity prices, tax, rates, interests rates, foreign exchange rates, and so on). We should put an end to the situation in which these parameters are seriously distorted. At the same time, we should eliminate the major causes of irrational distribution and not getting the happiness or bitterness that one deserves. At present the distortion of the prices of the means of production is the most serious problem in the national economy.

When the time is right, we should reform this by adopting the method of linking the movement of prices to the amount they are taxed, so as to differentiate one product from another. However, just by readjusting and opening up the prices, we are unable to make the price signals become an effective lever for leading the enterprises to improve their operations. In order to achieve this point, we must also concentrate our efforts on perfecting the market mechanism and on establishing a normal order of marketing.

Second, adding vitality to enterprises and improving the rigidity of restrictions on their budgets play a decisive role in creating the microeconomic foundation for macroeconomic readjustment and improving the operation of the national economy as a whole.

In addition to strengthening the roles of large and medium state-run enterprises under independent operation and independent accounting, we can do more in the areas of creating patterns for small enterprises running their businesses independently.

Third, judging from the system of macroeconomic readjustment: 1) On the basis of introducing new taxes such as those on the use of land and the use of capital, and readjusting the regulations and rates of old taxes, we may follow the transitional financial system of "distinguishing revenue from expenditure and making contracts at all levels," in which the financial revenue is classified into central and local ones from some tax categories, and the scope of expenditure will be reassessed at various levels, so as to put an end to the situation of decentralizing decision-making power to various administrative levels; and 2) on the financial system, we may, on the basis of strengthening the status of grass-roots banks under independent operation and independent accounting, gradually strengthen the role of interest rates in readjusting the demand and supply of capital while strengthening the management and readjustment functions of the central bank.

If we can base ourselves on the consolidation of reform achievements which were made last year and make an important step forward next year, our new economic system will be greatly improved and the inherent vitality of the socialist economy will be shown. This will enable us to win new victory in our socialist modernizations. While we wait for this moment, however, we must bear in mind: The greater the pace of reforms, the greater the demand for economic environment. Whether or not we can smoothly make an important step forward next year depends on whether or not the macrocontrol will be strengthened and improved this year and whether the economic environment will continue to become more relaxed, so as to reserve enough strength for taking such steps. We should work hard and strive to realize this arduous task.

JINGJI RIBAO DISCUSSES PRICE PROBLEM ISSUES

HK241228 Beijing JINGJI RIBAO in Chinese 15 Mar 86 p 3

[Article by Li Kemu: "The Price Problem in Real Life"]

[Text] The price problem is an important and sensitive issue involving the overall situation of the national economy and is closely linked to the people's daily life. For some time, the general level of commodity prices in our country has risen considerably. The state of affairs has drawn people's attention to the price problem. In our view, in the period of overall reform of the economic structure, the vast numbers of consumers should have some understanding about the mechanism of price changes while paying attention to the price problem.

Changes in the General Level of Commodity Prices

In China, the general level of commodity prices is primarily indicated by the general index of retail prices in the country as a whole. As an indication of the stability or instability of market prices, the general level of commodity prices is an important means by which the state exercises macroeconomic control. The general index of retail prices in our country rose by 17.7 percent in 1984 over 1978 (an average rise of about 2.7 percent annually) and the cost of living and price indexes of workers and staff members rose by 20 percent. In 1985, the general index of retail prices rose drastically, reaching a double-digit number in cities with a population of more than 1 million. Of the commodities for which prices have risen, it is nonstaple food that has conspicuously affected the people's life. What is the cause of the current price fluctuations? We should clarify this point when discussing the price problem.

There are many factors affecting the general level of commodity prices. Generally speaking, there are two important factors: One is commodity value and the other is currency value. Prices are the monetary form of value. To draw the prices of various commodities closer to their value and to maintain rational price ratios, it is necessary to conscientiously apply the law of value and, in light of production, demand, and other conditions, to frequently adjust the prices of various commodities. As a rule, this structural adjustment will not bring about a fluctuation in the general price level. However, if we rigidly retard rational price rises, resulting in a long and serious deviation between prices and value, the structural price adjustment made under such circumstances will probably lead to a rise in the general level of commodity prices. A change in currency value has a fairly great impact on the general price level. When the currency put into circulation exceeds the market demand, that is, when there is more money than commodities, the currency will depreciate and the prices of commodities will rise accordingly. The practical situation in our country is that the two phenomena affecting the general level of commodity prices exist to varying degrees.

Stabilizing and Adjusting Commodity Prices

Stabilizing commodity prices is a fundamental principle of our party to which we must adhere. However, stabilizing commodity prices does not mean that prices cannot be changed; still less does it mean that prices should only be slashed and not increased. Prices are flexible and not rigid. Rigid prices can only lead to a loss in economic vitality and make it impossible for the market mechanism to give scope to its regulatory role. We should relatively stabilize commodity prices by increasing or reducing them. If price rises are caused by an excessive amount of currency in circulation, it is necessary to keep down prices by strengthening macroeconomic control. Our country has broad experience in successfully stabilizing prices. The price fluctuations in our country have been caused by an excessively large scale of capital construction and an excessively rapid growth in credit funds and consumption funds. This is extremely harmful to the normal development of the national economy and the improvement of the people's living standard. If the price fluctuations are caused by a structural price adjustment, it should be regarded as the cost of our fault. Curbing rational price rises will only lead to false stability in the general price level, which is generally called "concealed inflation" and which should accurately be called "concealed price rises." During the 10 years of turmoil, in an attempt to avoid great fluctuations in commodity prices, the state was forced to freeze prices, making the deviation of prices from value increasingly serious.

Due to their excessively low prices, neither the factories nor the peasants wanted to produce many commodities urgently needed in economic construction and the people's daily life. As a result, supply fell short of demand. To maintain a stable situation whereby the prices were "kept down," the state spent a huge sum of money as subsidies for losses caused by the state purchasing farm and sideline products at higher prices than their selling prices and by the inability of the factories to increase the prices of their products despite the rising prices of raw and semi-finished materials. Given the very sharp contradictions caused by long-standing irrational prices, it is fairly difficult to rationalize prices through structural price adjustment or to offset price rises with price reductions in some commodities. For this reason, it will lead to a rise in the general price level. The practice of using state financial subsidies to keep down prices, or "concealed inflation," is a potential factor in the rise of the general price level. The practice of our economic development tells us that it is necessary to adjust as soon as possible the irrational prices in order to reduce the state burden in giving financial subsidies and to put more of our limited capital into the development of the national economy; to arouse the initiative of producers and to meet the needs of the people; and to remove the hidden danger of "concealed inflation" causing price hikes.

Therefore, even though structural adjustment may lead to a certain rise in the general price level, it is still necessary to make the adjustment because this is in keeping with the fundamental interests of the consumers. This is completely different from the outcome of excessive currency in circulation. While making structural adjustment to planned prices, we should let most means of subsistence and a sizable number of production means be gradually regulated by the market mechanism so that the prices which have been "kept down" can become more rational through the function of the law of value.

Price Adjustment and Consumption Level

Price adjustment will help raise the people's consumption level. But how should we deal with the present condition affecting the consumption level in the course of price adjustment? We can cite the following points: First, by eliminating "concealed inflation" we do not mean simultaneously raising the prices of all commodities whose prices have been "kept down" but carrying them out gradually in light of changes in market supply and demand and other social factors, particularly the consumers' capacity to withstand strain. Second, the state should appropriately give or increase subsidies for commodities whose prices have been raised. Third, price adjustment should be made step by step and in coordination with wage system reform. The important thing is that the actual wage level of the people should not be reduced. Fourth, when making structural adjustments, we should also pay attention to the question of whether or not the structure of the commodities whose prices have been adjusted is rational. The current economic and financial situation has provided a good opportunity for the reform of the pricing system. We should take advantage of this opportunity to solve the price problem. Given a relatively small social impact, this will enable us to achieve without a hitch the objective of stimulating production and gradually improving the people's living standard.

LIAOWANG ON PLA CONTRIBUTIONS TO WORLD PEACE

HK261235 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 11, 17 Mar 86 pp 8-9

[Article by He Qizong, deputy chief of the PLA General Staff: "China's Army Makes Contributions To Safeguarding World Peace" -- Author is from Yingshan County, Sichuan. He was born in March 1943 and joined the Army in 1961. He studied in the PLA Military Academy in 1980 and was promoted to deputy chief of general staff of the PLA in 1985]

[Text] The 40th UN General Assembly designated 1986 as International Year of Peace and urged the people of various countries "to join UN efforts to safeguard peace and to guarantee a good future for mankind." This appeal is in keeping with the trends of our times. It has won the support of more than 100 countries and organizations, including China. It reflects the common desire for peace, disarmament, and opposing war of the people of all countries in the world. The Chinese Army sincerely hopes that world peace can be maintained.

On 4 June last year, Deng Xiaoping, chairman of the CPC Central Military Commission, announced at an enlarged meeting of the commission that the Chinese Government had decided to cut the number of soldiers by 1 million. This important strategic decision is a concrete contribution by China to opposing the arms race and safeguarding world peace. It has won the resolute and unanimous support of the whole Army and the people of the whole country. It is also welcomed and praised by all peace-loving countries and people of the world. Public opinion in the international community has universally pointed out: China's disarmament is "not for the sake of propaganda." China is "safeguarding world peace by her concrete action."

In the past few years, the two superpowers have engaged in an increasingly intense arms race. Last year, the military spending of both of them reached an all-time high. While competing with one another in expanding conventional arms and updating their strategic offensive weapons in an overall manner, they have also begun military contention in outer space. The contention for military superiority and for world hegemony is the major cause of the turbulent international situation.

Together with the peace-loving countries and people of the world, China resolutely opposes the arms race between the superpowers and has unilaterally taken the concrete action of cutting its Army by 1 million soldiers to show its sincerity concerning peace. The purpose of cutting its Army is also to concentrate more financial and material resources on accelerating its economic construction so that China's economy will become prosperous, its political situation will become more stable, and China will be able to expand its role in safeguarding world peace.

As a matter of fact, China has been taking the initiative in cutting its Armed Forces in the past few years. On one occasion after another, the number of soldiers was reduced and the percentage of the state's financial expenditure represented by military spending was lowered. Much of defense production has been turned into civil production and some military ports and airports have been opened for civil use. At the same time, the Army has energetically given support to the Army and the people jointly building socialist spiritual and material civilization. In order to meet the needs of the country's economic construction, the Army is making great efforts to train qualified personnel who can do both military and civilian work so that large numbers of ex-servicemen can play an increasingly greater role in socialist modernization. At present, the first stage of the reduction-in-strength reorganization has been completed smoothly. Various Army units have been reorganized according to the newly stipulated sizes for Army units. The PLA General Staff Headquarters, General Political Department, and General Logistics Department, the National Defense Science, Technology, and Industry Commission, various arms and services, various military regional organs, and the major combat units are now carrying out their work according to the newly promulgated sizes for Army units. Large numbers of excess personnel have voluntarily subordinated themselves to the needs of the overall situation and are ready to be transferred to work to build the socialist economy with the help of local governments. According to the plan of the CPC Central Military Commission, this year's reduction-in-strength reorganization will mainly be conducted in all military schools and colleges, the logistics and convoy system, and the provincial military district system. It is certain that after 2 years of intense and orderly work, the arduous task of reducing Army troops by 1 million and of reorganization will be fulfilled in 1986 as scheduled. The Chinese Army will then be even smaller in number but better trained and the state's military expenditure will be further reduced. The capacity to resist aggression and safeguard the peace of China, a large, strong, and prosperous country with 1 billion people who are united as one, will also increase.

The PLA is a combat contingent for opposing aggression and defending the motherland. China has always pursued a policy of peace and strictly adhered to the five principles of peaceful coexistence. China has no military base in any foreign country. Nor is there any Chinese soldier stationed abroad. The sacred duty of the Chinese Army is to defend the motherland's inviolable sovereignty. At the same time, it is also an important force for defending world peace and has made unremitting efforts to safeguard world peace. It goes without saying that China is sincere and determined in disarmament. On the other hand, although they have expressed in words their desire to "accelerate the disarmament talks," the two superpowers have taken concrete actions which can only be interpreted as regarding talks as a means to restrict the opposite party and to strengthen oneself.

They have been arguing back and forth for a long time in talks on limiting offensive weapons as well as on limiting conventional weapons and their arms expansion in the meantime continued. People have an absolute right to demand that the two superpowers, which possess the world's biggest nuclear arsenals and the most powerful conventional arms, be sincere and take action to earnestly stop the arms race and take the lead in large-scale disarmament.

Nearly 41 years have passed since World War II. During this period, although imperialists and hegemonic powers have never stopped their aggression and expansion, and local conflicts and partial wars have occurred one after another, a new world war, about which the people of the world worry most, has not broken out after all. This can only be regarded as a great victory, as compared with a period of peace of only 21 years after World War I. This victory has not been bestowed by anyone on the international community, but is the outcome of the struggle to defend world peace of the people of the world, the people of the Third World countries in particular, who are more awakened and united than ever before. Historical experiences and lessons have told us that the people of all countries throughout the world must be united and that all peace-loving countries must be united. They must take action to prevent wars before they break out and must take effective measures to stop any war once the aggressors have started it. We should never tolerate or condone aggressors in the hope of seeking momentary peace. We should not try to avoid danger to ourselves at the expense of the security of other countries. So long as the people of the whole world make concerted efforts to control the constant growth of factors for war, a new world war can be prevented and there is much hope for lasting world peace.

TIAN JIYUN INSPECTS HUBEI, STRESSES AGRICULTURE

HK260147 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 25 Mar 86

[Text] Tian Jiyun, member of the Political Bureau of the CPC Central Committee, member of the CPC Central Committee Secretariat, and vice premier of the State Council, inspected Hubei and provided guidance for work in the province on 23 and 24 March. He stressed that it is essential to strengthen the agricultural foundation, develop grain production, stabilize cotton output, further develop the excellent situation, and thus create conditions for in-depth reforms.

Vice Premier Tian focused on getting to know the state of agriculture in the province. Reporting to him, responsible comrades of the provincial CPC Committee and government said that this year it is necessary to implement the spirit of CPC Central Committee Document No 1 in an all-round way, strengthen leadership over agriculture, take still more advantage of the province's strong points in grain, and stabilize cotton production. It is necessary to continue to vigorously develop township enterprises and give free rein to promoting diversification, so as to stimulate healthy development of the rural economy.

The provincial authorities have therefore taken the following measures: allocating 200 million yuan in discount revolving funds to support grain and cotton production; the price of prepurchased grain to be increased by 2 Fen per jin on the basis of an proportional price; chemical fertilizer to be awarded as a bonus for grain and cotton purchased by contract; the price of ammonium carbonate to be reduced, and the prices of other agricultural production materials to be stabilized; maintenance and management of water conservation facilities to be grasped to improve their capacity to resist natural disasters; and new technologies and strains to be popularized and applied.

Vice Premier Tian agreed with all this. He said: These policy measures are correct and effective. The whole year's effort depends on the spring. I hope that these measures will be implemented in the grass roots and rapidly become common knowledge among the peasants, so as to enhance their enthusiasm for growing grain.

He stressed: We must seriously implement the series of policies of the CPC Central Committee and State Council on agricultural production, and especially on stimulating grain production, and continue to develop grain production. We must also stabilize cotton output. We must certainly not have big fluctuations in cotton output. Agriculture is the foundation, and grain is the foundation of the foundation. A guaranteed grain output creates conditions for us to further develop the excellent situation and carry out reforms in depth.

He affirmed the methods applied by the provincial CPC Committee and government for actively developing township enterprises, pointing out: Developing township enterprises is an essential path for invigorating the rural economy. It is a path of great vitality. In developing township enterprises, we must persevere in the correct orientation and pay attention to reducing blindness in operation. China's population of 1 billion includes 800 million peasants. We cannot gradually narrow the gap between urban and rural areas, modernize agriculture, and extricate the peasants from poverty without developing township enterprises.

When listening to reports delivered by the Wuhan City CPC Committee and government, Vice Premier Tian praised the gratifying progress made by the city in comprehensive urban reforms. He expressed the hope that this year the city would further implement the economic responsibility systems in the enterprises, conduct appropriate ideological and political work for staff and workers in light of the actual conditions of each enterprise, pay attention to solving certain specific problems in production, operations, and daily life in the enterprises, and strive to go a good job in industrial production. Attention must also be paid to developing lateral economic ties. Efforts should be made to achieve relatively great progress in this respect in carrying out economic structural reform this year.

Vice Premier Tian also inspected the Dadongmen trading market in Wuchang and the small commodity market in Hanzheng Street in Hankou. He obtained direct information on the market and price situations. He demanded that market supply work be done well. He was extremely concerned about the situation in nonstaple food supplies, especially vegetables, for urban residents. He told the responsible comrades of the province and city that the size of the crop produced in the vegetable fields determines the prices of vegetables in the baskets. It is essential to guarantee the planting area for vegetables. Everything possible must be done to make proper arrangements for the masses' daily life.

Vice Premier Tian Jiyun pointed out after listening to reports from the province and city: The situation in Hubei Province is very good. This is the case all the way from agriculture and industry to the markets. The situation in agriculture is particularly good. He expressed the hope that the province would continue to develop its excellent situation. Hubei should strive for a relatively good harvest in agriculture and a suitable growth rate in industry. The province should vigorously improve economic results and create conditions for taking bigger strides in reform in the future.

Vice Premier Tian Jiyun was accompanied on his inspection by Yan Ying, deputy secretary general of the State Council; and Jiang Xi, vice minister of commerce. Guan Guangfu, Guo Zhenqian, Wang Qun, and other responsible comrades of the provincial and city CPC committees and governments reported on work to Vice Premier Tian.

I. 27 Mar 86

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CHINA
PRC NATIONAL AFFAIRS

COMMENTARY URGES HORIZONTAL ECONOMIC COOPERATION

HK251123 Beijing Domestic Television Service in Mandarin 1100 GMT 22 Mar 86

[Station commentary]

[Text] A great upsurge in cooperation between enterprises is emerging in China's economic life. Many and varied forms of horizontal cooperation are currently breaking down various barriers established under the traditional system, such as barriers between industries, barriers between regions, barriers between departments, and barriers between systems of ownership. These forms of cooperation are also promoting a rapid development of productive forces. This is an important achievement scored in the course of our country's urban and rural economic reforms for expanding the enterprises' decision-making authority and for giving full play to the regulative role of the law of value in our socialist economy. A basic characteristic of modern socialized mass production is the existence of stable and extensive horizontal economic ties between industries and enterprises, between industry, commerce and enterprises, and between industry, commerce, enterprises, and scientific research institutions. Specialized division of labor and coordination between enterprises are promoted through such ties, and the coordinated development of economic activities in different regions and departments is also promoted through such ties.

However, our old system severed horizontal ties between enterprises. As a result, the organizational structures of our enterprises have been very irrational and it has been difficult for us to carry out specialized division of labor. The severance of ties has also strengthened the dependence of enterprises on the government. Over the past few years, through the development of horizontal economic cooperation, enterprises have learned from others' strong points to offset their weaknesses and have increased economic returns. At the same time, this development has changed the situation in which enterprises are administrative organs' subsidiary bodies and are not separated from administrative organs, and in which there are barriers between higher and lower levels and between departments and regions. This shows that the development of horizontal ties not only can yield better economic returns but can also promote reforms. It is of great importance to achieving the healthy and stable development of our national economy.

STATE COUNCIL ISSUES ECONOMIC ASSOCIATION RULES

OW231040 Beijing XINHUA in English 1030 GMT 23 Mar 86

[Text] Beijing, March 23 (XINHUA) -- The State Council, in a regulation published today, calls for the promotion of horizontal economic association to break down barriers between departments and regions and spur economic development. The regulations between raw material bases and processing plants, between production enterprises and research institutes, among agricultural, industrial and trade departments, as well as among transportation units to link railway, highway, shipping and air transport. The ultimate aim is to tap all potential, rationalize the structure and distribution of enterprises, develop marketing and separate enterprise management from administration.

According to the regulation, the associations can be tightly or loosely knitted and it can be cooperation in either manpower, resources, capital, technology or marketing. The association must be formed voluntarily and no administrative coercion is allowed, the regulation said. It will not be restricted by the barriers between regions, administrative departments, economic sectors and ownerships.

Banks should support such horizontal economic association in loans; while these associations, with approval granted, can also issue debentures through banks or other financial organizations. Double taxations must be avoided on the horizontal economic associations, the regulation said. Tax might be reduced for five years on profits earned from investment in energy, transportation, old revolutionary bases, frontier and poor regions and areas lived by minority nationalities.

CYL CIRCULAR STRESSES IDEOLOGICAL EDUCATION

OW251447 Beijing Domestic Service in Mandarin 1200 GMT 21 Mar 86

[Text] The CYL Central Committee issued a circular today calling on CYL organs at all levels to further promote education on the current situation, policy, and mission and on the revolutionary tradition. The circular says since this year is the 67th anniversary of the May 4th Movement, the Pure Brightness Festival is at hand, and the Fourth Session of the Sixth NPC will open soon, CYL organs at all levels must make the best use of the situation to deepen the education on the current situation, policy, and mission and in the revolutionary tradition among the vast number of CYL members and other young people. In promoting these educational activities, the various localities should avoid large gatherings of people from a big area and should do away with formalism and superficiality. Instead, they should strive to imbue various activities with ideological education so that CYL members and other young people will really benefit from such education.

WANG ZHAOGUO ATTENDS CPPCC GROUP DISCUSSION

OW260944 Beijing Domestic Service in Mandarin 1200 GMT 25 Mar 86

[Excerpts] According to a report by this station's reporter, the Fourth Session of the Sixth CPPCC National Committee continued its group discussions on this morning. The participants generally maintained that there have been marked achievements and great improvements in the CPPCC work in the past year and that practice has proven that the CPPCC has played, and will certainly play, a greater role in the country's two civilizations. Liu Yandong, member of the Standing Committee of the CPPCC National Committee and president of the All-China Youth Federation, said that various groups of the CPPCC National Committee have carried out various forms of activities and brought their strength into full play. Wang Zhaoguo, member of the Secretariat of the CPC Central Committee, came to the CPPCC National Committee's All-China Youth Federation group to take part in its discussion this morning.

FORMER VICE PREMIER CHEN YONGGUI DIES AT 72

OW261615 Beijing XINHUA in English 1606 GMT 26 Mar 86

[Text] Beijing, March 26 (XINHUA) -- Chen Yonggui, once a national labor hero and leader of China's no. 1 model farming unit, died of lung cancer at 20:35 hours today. He was 72. He was advisor to the Dongjiao (east suburbs) farm of Beijing before he died. He was appointed to the post by the party Central Committee in 1983. From 1975 to 1980, he was one of China's vice-premiers.

When his condition deteriorated, party and state leaders Xi Zhongxun, Hu Qili, Hao Jianxiu and Wang Zhaoguo saw him in the hospital. Other visitors included Yang Dezhong, first deputy director of the General Office of the party Central Committee, Mayor Chen Kitong of Beijing, as well as friends from his native province, Shanxi, his native village, Dazhai, and the Dongjiao farm.

I. 27 Mar 86

K 30

CHINA
PRC NATIONAL AFFAIRS

Chen was born in 1914 in a poor peasant family in Dazhai Village, Xiyang County, Shanxi Province, and joined the Communist Party in 1948. In the 1950's he pioneered the collectivization movement by helping set up an agricultural producers' co-operative in his village, Dazhai, which nestles deep in the arid, gully-strewn Taihang mountains. As party secretary of the village Communist Party branch committee, he got the villagers mobilized to change the farming conditions by filling gullies with earth to create land and build irrigation facilities and terraces on the Loess mountain-slopes. As the village was becoming better off, it won the praise of the party Central Committee and the top party leaders, Mao Zedong and Zhou Enlai.

The many years' strenuous efforts made Dazhai villagers under Chen's leadership to fight nature and the subsequent successes were publicized nationwide to encourage the rest of the Chinese population to work hard and make China strong and prosperous.

Meanwhile, Chen Yonggui, too, came into national limelight as a labor hero. He was deputy to the Third, Fourth and Fifth National People's Congress, member of the Ninth, Tenth and 11th party Central Committee, and member of the Political Bureau of the Tenth and 11th party Central Committee. He supported the basic line, principles and policies formulated at the Third Plenum of the 11th party Central Committee and worked in real earnest to sum up the experience and lessons in his past work. In 1983, he willingly accepted the party Central Committee's offer of an advisory post in the Dongjiao farm. For his care to others and his devotion to work, he became everybody's friend on that farm.

XINHUA REPORT IDENTIFIES MARXIST SCHOLAR

WA271600 [Editorial Report] Beijing XINHUA in English at 1329 GMT on 14 March transmits a report on "Breakthroughs in the Study of Marxism," published in the 25 March China DAILY REPORT, page K 27, under the headline "'Breakthroughs' in Marxist Study Examined." XINHUA notes that Deng Weizhong, author of the article, "works at the Shanghai branch of the Encyclopedia of China publishing house."

I. 27 Mar 86

P R C R E G I O N A L A F F A I R S
EAST REGION

0 1

JIANGSU'S HAN PEIXIN, GU XIULIAN PRESENT AWARDS

OW251149 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 22 Mar 86

[Text] With the approval of the provincial leading group for enterprise consolidation and the provincial planning and economic commissions, 196 enterprises and 207 individuals were designated advanced units or workers for their achievements in the province's enterprise consolidation.

At a provincial conference on planned economy yesterday, Han Peixin, Gu Xiulian, Ling Qihong, Yang Yongyi, and other leading comrades of the province presented awards to those advanced units and individuals.

JIANGXI: WAN SHAOFEN ON BUILDING OLD BASE AREAS

OW241130 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 17 Mar 86

["Excerpts" of report by Wan Shaofen, secretary of the provincial party committee and chairman of the provincial commission in charge of construction in old revolutionary base areas, at a provincial meeting held in Nanchang on 17 March on such construction: "Enthusiastically and Steadfastly Quicken the Pace of Construction in Old Revolutionary Base Areas"]

[Excerpts] Last August, a provincial conference on construction in old revolutionary base areas solved the questions of unifying our thinking and enhancing our understanding of the importance of such construction. This is most important. Keeping in mind the main subject of how to bring about noticeable changes in old revolutionary base areas this year, this meeting should sum up and discuss our work, further enhance our understanding, and effectively solve problems that need immediate solution in our work in this regard.

Since last year, especially since the eighth provincial party congress and a provincial conference on construction in old revolutionary base areas, people in various parts of the province have paid attention to the construction of old revolutionary base areas and have done a lot of work in this regard. As a result, the situation in those areas has developed rather rapidly.

In implementing the central authorities' and the provincial party committee's preferential policies toward particularly poor townships in old revolutionary base areas, relevant provincial-level departments, as well as prefectures, cities, and counties have paid special attention to implementing the policy of reducing or remitting agricultural taxes and several other policies in recent months. Meanwhile, the provincial, prefectural, city, and county authorities supported old revolutionary base areas with 101.67 million yuan last year. The supply of materials for construction projects in old revolutionary base areas is also better than before.

We are glad to note that new steps have been taken in the construction of the province's old revolutionary base areas since the eighth provincial party congress and a provincial conference on such construction last year. Now the construction of those areas has entered a new stage. Of course, there are still problems and difficulties in this regard. We must overcome such problems and difficulties through our unremitting efforts and to further bring about a new situation in the work of old revolutionary base areas.

At the conference on the work of old revolutionary base areas last year, the provincial party committee and the provincial government set the requirements for helping the people in those areas have enough to eat and wear in 3 years and shake off poverty in 5 years.

To achieve this goal, a big step should be taken in the construction of the old revolutionary base areas on the basis of last year's initial achievements; a noticeable change should be brought about in this regard. I think a noticeable change should mainly manifest itself in the following aspects:

1. Average per-capita net income in the particularly poor townships of the old revolutionary base areas this year should increase 20 percent over that of last year and the average per-capita net income of one-third of the households with particular material difficulties should reach or top 200 yuan.
2. As for a small number of households with particular material difficulties in old revolutionary base areas where people still do not have enough to eat and wear or adequate housing to shelter them from the wind and rain, it is necessary to basically solve such problems for them within this year. By basically solving such problems for them, it means that every possible effort should be made to enable them not to suffer from hunger or cold any more. This must be done for each such household.
3. It is necessary to select and start projects in counties, townships, and villages in old revolutionary base areas this year that can make full use of local resources to promote commodity production and that can help people shake off poverty and become better off.
4. Lateral economic ties between enterprises in old revolutionary base areas and those outside should be noticeably strengthened.
5. It is necessary to start or continue the building of basic and urgently needed facilities in transportation, circulation, energy, water conservation, education, and public health. Marked progress should be made in the prevention and cure of endemic diseases.
6. Administrative offices in charge of construction in old revolutionary base areas should be strengthened as soon as possible.

In our province, a vigorous situation has been brought about in which people concern themselves with, play an active part in, and contribute to the construction of our province's old revolutionary base areas. Under the correct leadership of the party Central Committee, we can certainly take a big step and bring about a noticeable change in the construction of such areas this year and contribute to the fulfillment of the tasks for the first year of the Seventh 5-Year Plan provided we rely on the cadres and masses, firmly pool our wisdom and efforts, work in unity, and advance in a pioneering spirit.

ZHEJIANG NPC DEPUTIES LEAVE FOR BEIJING

OW221317 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 21 Mar 86

[Text] Zhejiang Province's NPC deputies and members of the CPPCC National Committee left Hangzhou by plane for Beijing this afternoon to respectively attend the forthcoming Fourth Session of the Sixth NPC and the Fourth Session of the Sixth CPPCC National Committee.

They had gone deep into factories, rural areas, and schools to conduct extensive investigation and study and to listen to the opinions and needs of the masses of grass-roots units. During their stay in Hangzhou, they seriously listened to a briefing by Governor Xue Jue on the Zhejiang provincial Seventh 5-Year Plan; they thus gained a better idea of the reform and development situation in the province. They were seen off at the airport by leading comrades of the provincial People's Congress Standing Committee, the provincial CPPCC Committee, and other departments concerned.

GUANGDONG RECLAMATION FARMS ENJOY PREFERENTIAL TREATMENT

HK241042 Beijing ZHONGGUO XINWEN SHE in Chinese 0247 GMT 21 Mar 86

[Text] Guangzhou, 21 Mar (ZHONGGUO XINWEN SHE) -- The 88 farms and more than 10 factories and enterprises set up by Guangdong's agricultural reclamation departments in Hainan are given preferential treatment similar to that of the special economic zones in opening to the outside world and importing foreign capital. The 15 mu of land in the Shantou Special Economic Zone and 30 mu of land in the Zhanjiang economic exploitation zone owned by the agricultural reclamation departments also enjoy the preferential treatment.

According to the people involved, Guangdong's agricultural reclamation departments welcome foreign businessmen's cooperation in farming, animal raising, the processing industry, and tourism in the above areas. The items of cooperation in the near future include prawn breeding, the planting and processing of coffee and tea, the growing and preservation of Hongjiang oranges, the processing of rubber products, the construction of tourist buildings in the Shantou Special Economic Zone, the construction of Nanhai International Hotel and Haixiu Restaurant in Haikou, the construction of Nanya Hotel and Nanxin Tourist Center in Sanya, the building of Taiyang Lake Resort in Wanning County, and the building of Nanyang hot springs tourist area and sanatorium in Danxian County.

After 35 years in operation, China's largest base of tropical crops has been established on the barren hills and mountains in Hainan, Zhanjiang, and Shantou. Over the past 3 years, 25 contracts concerning economic and technological cooperation have been concluded with foreign, Hong Kong, and Macao businessmen by means of compensation trade, joint ventures, and other forms. Of these, 18 contracts are being implemented. The amount of foreign investment totals over US\$12 million. Total investment in the nutrient factory of the Xianglian corporation, a joint venture run by Guangdong's agricultural reclamation departments, the Guangdong Food Center, and the U.S. XIANG [0078] Food Industrial Group, reached US\$7 million. Construction of the project started last year and is expected to be completed and put into operation in the first half of this year. The Sanjiang farm, which is located in an Overseas Chinese hometown, imported improved varieties of coconut. Now it has become China's largest production base of coconuts.

Guangdong's agricultural reclamation departments used the US\$100 million loan granted by the international exploitation association of the World Bank to plant and reforest 600,000 mu of rubber trees and afforest an area of 180,000 mu in Hainan and the Leizhou peninsula. By the end of 1985, the agricultural reclamation departments had planted and reforested 460,000 mu of rubber trees and afforested an area of 140,000 mu. According to the inspection made by the officials of the World Bank, both the quality of the trees planted and management level reached the required standard.

Guangdong's agricultural reclamation began in 1985. There are now 140 reclamation farms and 571 reclamation factories, with a total of 660,000 workers. These farms and factories have 5.05 million mu of rubber trees and tropical crops and an afforested area of 2.36 million mu. There are more than 1,400 kinds of industrial products manufactured by these farms and factories. The Wuzhishan black tea produced by the farms has fragrance and a good taste. More than 50,000 dan of black tea is supplied to the international market every year. It sells well in more than 40 countries and regions including the United States, Japan, and Australia. The total industrial and agricultural output of Guangdong's agricultural reclamation departments in 1985 was 1.53 billion yuan. Foreign exchange earned through the export of commodities in recent years was around US\$31.35 million.

HUBEI TO SWITCH PEOPLE'S ARMED FORCES DEPARTMENTS

HK201211 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 17 Mar 86

[Text] The work of switching county and city level people's armed forces departments to the jurisdiction of local authorities will start in April and end in June in the province.

To strengthen leadership over the work, a provincial leading group has been set up. It began a pilot project in March to explore experience in this respect in (Quanjiang) and (Yingshan) Counties, Suizhou City, and Wuhan's Hanyang District.

After being switched to the jurisdiction of local authorities, county and city level people's armed forces departments will mainly be responsible for people's militia and military service work in the areas under their administration. They will be under the leadership of county, city, and district CPC committees and governments and the military authorities at the higher level.

HUNAN: MAO ZHIYONG, OTHER LEADERS VISIT NPC DEPUTIES

HK270511 Changsha Hunan Provincial Service in Mandarin 1100 GMT 21 Mar 86

[Text] NPC deputies and CPPCC National Committee members from our province left for Beijing by plane today to attend the Fourth Session of the Sixth NPC and the fourth meeting of the Sixth CPPCC National Committee to discuss state affairs. Xiong Qingquan, deputy secretary of the provincial CPC Committee and governor; Shen Ruiting, provincial CPC Committee Standing Committee member; Huang Daoqi, Xu Tiangui, Xie Xinying, and Li Tiangeng, vice chairmen of the provincial People's Congress Standing Committee; Yin Changmin and Zhou Zheng, vice chairmen of the provincial CPPCC Committee; (Wu Aiting), deputy political commissar of Hunan Military District; and responsible persons of departments concerned went to the airport to see them off.

On the evening of 19 March, Mao Zhiyong, secretary of the provincial CPC Committee, and some responsible persons of the provincial CPC committee, provincial Advisory Commission, provincial Discipline Inspection Commission, provincial People's Congress Standing Committee, provincial people's government, provincial CPPCC Committee, and Hunan Military District went to the Hunan Guesthouse to visit the deputies and committee members.

I. 27 Mar 86

P R C R E G I O N A L A F F A I R S
SOUTHWEST REGION

Q 1

SICHUAN LEADER ON MACHINE-BUILDING INDUSTRY

HK250217 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 24 Mar 86

[Excerpts] Vice Governor Gu Jinchi pointed out at the provincial machine-building industry work conference which concluded on 23 March: The machine-building industry must take the lead in development among the various sectors of the national economy, and a certain growth rate must be maintained.

He said: Investment in fixed assets in the machine-building industry in Sichuan ranks third in the whole country. The industry's production capacity and potentials are great. Its growth rate should therefore be a bit higher, as appropriate. This is both necessary and feasible.

The meeting also decided on the goals of endeavor for the machine-building industry during the Seventh 5-Year Plan. It demanded that the machine-building industry system do a good job in pilot projects for reform, step up key construction work and technological transformation, develop new products, and improve management standards and economic results. It is necessary to bring into full play the role of the fruits of third-line construction and make contributions to the sustained, steady, and co-ordinated development of the province's economy.

SICHUAN MEETING URGES SUPPORT FOR SPRING FARMING

HK250215 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 24 Mar 86

[Excerpts] The provincial government held a telephone conference with responsible persons of departments concerned and of cities and prefectures on 24 March to make arrangements for supplying agricultural production materials and issuing loans so as to ensure the smooth progress of preparations for spring farming. Xie Shijie, member of the Standing Committee of the provincial CPC Committee, and (Jiang Heteng), secretary general of the provincial government, spoke at the meeting.

The provincial government pointed out at the meeting: This year the province's spring-harvested grain and rapeseed are growing very well. Preparations for the spring-sown crops are also fully underway. The tasks are very arduous. There are shortages of chemical fertilizer, oil, and medium and small iron farm implements. It is necessary to concentrate forces to solve these problems. The provincial government called on the province to solve the problem of price reductions for the products of small chemical fertilizer plants and to map out price reduction measures as soon as possible.

At present there is a great shortage of oil. The limited supplies must therefore be used where they are most needed in the preparations for spring farming. Priority in diesel oil supplies must be given to spring farming. Oil used for drainage and irrigation must be used efficiently.

The provincial government reiterated that all levels must make proper arrangements regarding the plans for steel for iron farm implements, and ensure its supply.

XIZANG: WU JINGHUA ATTENDS RALLY ON PARTY STYLE

HK241215 Lhasa Xizang Regional Service in Mandarin 1130 GMT 17 Mar 86

[Excerpts] On the afternoon of 17 March, the regional CPC Committee held a rally on correcting the party style of the leading organs of the region. The rally mobilized and arranged the work of correcting the party style of the whole region, particularly correcting the party style of the organs of the region and Lhasa City. Some 1,200 party-member cadres of the organs of the region and all places in Lhasa City attended the rally.

Comrade Wu Jinghua, secretary of the regional CPC Committee, presided over the rally. Seated on the rostrum were comrades including Raidi, Doje Cering, Basang, Mao Rubai, Dangzin, and Zhang Shaosong. Comrade Pagbalha Geleg Mangya also was invited to sit on the rostrum. Nonparty leading comrades of the regional People's Congress, regional people's government, and regional CPPCC Committee, and CPPCC Committee members who were in Lhasa also attended the rally by invitation. Comrade Raidi, deputy secretary of the regional CPC Committee, delivered an important speech at the rally. Comrade Dangzin, deputy secretary of the regional CPC Committee, read the 10-article regulations of the Xizang Regional CPC Committee on strengthening party spirit, correcting party style, and strictly observing party discipline. Comrades including Wu Jinghua, Doje Cering, and Zhang Shaosong also spoke at the rally.

Comrade Raidi's speech dealt with three questions: 1) correctly appraising the situation in party style of our region and firmly grasping the main existing problems; 2) correcting party style being an important task confronting the party organizations in our region; 3) the arrangements for and methods of the work of correcting party style.

Comrade Raidi said: Over recent years, through the implementation of the series of important central authorities instructions on Xizang work, party rectification, and the implementation of the spirit of the enlarged meeting of the regional CPC Committee Standing Committee, party style in our region has improved markedly. However, we must clearly see that many problems still exist among some party member cadres in the aspects of ideology and work style. Some individual problems are fairly serious. Some have even committed crimes. Proceeding from the realities of our region, in correcting party style, we must especially stress the following problems:

1. Some party organizations and leading cadres have lacked revolutionary devotion to their work and sense of responsibility. Bureaucratism is serious. They are extremely irresponsible and have neglected their duties. This has caused serious losses to, and waste of, state property, and even endangered people's lives.
2. Individualistic ideology has become aggravated. People have taken advantage of their power to seek personal gain. Some have taken advantage of the functions and powers of their occupations to make things difficult for the masses. Some have indulged in unhealthy trends in the course of permanent residence registration, recruiting workers, enrolling students, and promoting cadres. Some have enjoyed privileges in life contrary to regulations. Some have given dinners and gifts and indulged in extravagance and waste.
3. There are malpractices of extorting and receiving bribes and embezzlement of public funds. Other serious violations of financial and economic discipline have frequently occurred.
4. Some party and government organs and party member cadres have engaged in commerce.
5. Politically, there is liberalism, organization and discipline are slack, individual interests come first, and democratic work style is bad.

Comrade Raidi pointed out: The above-mentioned five problems can be summarized into three main aspects, although the types, means, degrees, and forms of the violations of party discipline, political discipline, and legal discipline are many and varied: Individualistic ideological work style, serious bureaucratic ideological work style, and liberalistic ideological work style.

Bureaucratism and seeking good relations with all and sundry at the expense of principle are the points wherein the crux of the problems of the spreading of unhealthy trends lies and are the main reason for it.

Comrade Raidi said: The above-mentioned five unhealthy trends fully show that when the regional CPC Committee grasps the correction of party style, it does not shoot an arrow without a target and copy indiscriminately the experience of others, but must grasp it. In fact, the unhealthy trends have corrupted some cadres. Some cadres have been involved in evildoing and some cadres are in danger of being enticed into evildoing. The unhealthy trends have impaired the images of the party and government adversely affected the flesh-and-blood ties between the party and the masses, sabotaged national unity, and given certain people with ulterior motives opportunities that can be exploited to their advantage. The unhealthy trends have caused serious losses to economic construction in our region. If they are not corrected as soon as possible, still bigger losses will be caused.

Comrade Raidi said: The correction of the unhealthy trends is the continuation and penetrating development of going further in negating the Cultural Revolution, in eliminating leftist ideological influence, and in straightening out the ideological line. It is the continuation and profound development of the implementation of the spirit of the enlarged meeting of the regional CPC Committee Standing Committee; and is the important condition and guarantee for basing everything on Xizang's realities, doing everything to develop the productive forces, and doing everything for the well-being of the people of Xizang. In such a region of minority nationalities in the border area as Xizang, the correction of party style is of particularly important significance for keeping close ties between the party and the masses, strengthening nationality unity, upholding the unification of our motherland, and enhancing the prestige of our party. Our region is an economically underdeveloped region and its economy and culture have lagged behind our fraternal provinces and regions. Therefore, we must have still better party style and advocate the spirit of struggling hard and wholeheartedly serving the people. We can then use our limited manpower and material and financial resources to cause the masses to be lifted out of poverty and to get rich.

The rally concluded amid the solemn Internationale.

XIZANG LEADERS ADDRESS 'PARTY STYLE' RALLY

HK250222 Lhasa Xizang Regional Service in Mandarin 1130 GMT 18 Mar 86

[Excerpts] Wu Jinghua, secretary of the regional CPC Committee, delivered an important speech yesterday afternoon at a regional rally on correcting party style.

He said: In correcting party style and realizing a fundamental turn for the better in party style, we must combat left deviations and prevent right deviations. Comrade Wu Jinghua added: Combating left deviations and preventing right deviations has always been our party's guiding ideology and is the summation of our party's experiences in its long struggle. Last year, we held the enlarged meeting of the regional CPC Committee Standing Committee and carried out ideological education on doing more to negate the Cultural Revolution, to eliminate leftist ideological influence, and to straighten out the ideological line. We stressed combating left deviations. At the same time, we called attention to preventing right deviations. Judging from the five big problems which we have discovered still exist in our region's party style, combating left deviations and preventing right deviations is still very important.

Can we call the practices of violating party principles, being extremely irresponsible, causing serious losses to and waste of state property, and even endangering the safety of people's lives, left deviations? Can we call the practices of committing graft and theft, extorting and receiving bribes, earning money by hook or by crook, and doing harm to the state, left deviations? Therefore, in correcting party style we must pay attention to preventing right deviations. Looking at the situation objectively, we must determine our principles. We must continue to eliminate left deviations throughout the region. At the same time, we must pay attention to preventing and combating rightist things.

Comrade Wu Jinghua went on: In correcting party style and realizing a fundamental turn for the better in party style, we must build up a certain momentum, without which we cannot expose or deal with some evil things. We will not launch any movement, because we have suffered a great deal from movements. We must rely on the vitality of our party to attain the specific aim of putting our party on a sound basis. Every Communist Party member must have a strong party spirit and make good use of the sharp ideological weapons of criticism and self-criticism in order to wage a struggle of correcting unhealthy trends. We must resolutely investigate and deal with violations of the law and discipline, particularly big and important cases. Disciplinary action must be taken as appropriate. Those who should be punished in accordance with the law, must be punished according to the law. We warmly encourage nonparty comrades to present their views to the Communist Party and to help us correct the unhealthy trends.

In conclusion, Comrade Wu Jinghua stressed: All faithful and honest Communist Party members must go into action. In particular, party member cadres at and above the county level must consider well what they are prepared to do to restore and correct party style and what they should do. Each comrade must make his own necessary contribution toward restoring and correcting party style and toward accomplishing the tasks put forward by the 12th party congress.

Doje Cering and Dangzin, deputy secretaries of the regional CPC Committee, and Zhang Shaosong, political commissar of Xizang Military District, also spoke at the rally. In his speech, Doje Cering said: Correcting party style and unhealthy trends and eliminating corrupt phenomenon in our party is an important policy decision of the CPC Central Committee. Therefore, each Communist Party member and leading cadres of the party must fully understand and take vigorous action. This is a matter of attitude toward the CPC Central Committee and regional CPC Committee, and also has to do with one's sense of organization.

Doje Cering added: Our region's situation now is very good. However, there are many problems, which are mainly the problems of party style. Unhealthy trends and corrupt phenomenon have now corrupted our economic departments. Judging from the five big problems of party style in our region, as enumerated by Comrade Raidi, unhealthy trends, violations of the law, and even economic crimes in the economic sphere are especially conspicuous. This has drawn our attention.

Comrade Doje Cering said: The problems are serious, but that is not the only issue. It is not ordinary people that are indulging in unhealthy trends; it is the economic management department, economic law enforcement departments, and managing and law enforcement personnel that are indulging in unhealthy trends. We cannot disregard these known violations of discipline and the law, earning money by hook or by crook, and taking advantage of power to seek private ends. Therefore, CPC committees and governments at all levels must pay much attention to and maintain vigilance against the unhealthy trends, violations of law, and crimes in economic spheres. We must by no means pursue bureaucratism and adopt irresponsible attitudes.

In conclusion, Comrade Doje Cering emphasized: All party members and leading party cadres must carry out the spirit of the foolish old man who removed mountains and resolutely and persistently fight this battle well.

In his speech, Comrade Dangzin said: This is a year of down-to-earth implementation. Today, we are holding a rally to mobilize and organize the work of correcting party style throughout the whole region, particularly correcting party style in the region's organs and in Lhasa City. Comrade Dangzin said: Xizang's economic foundation is relatively weak. We have basically relied on state subsidies. If we do not use our money well, we will let the central authorities and the people down and be unworthy of the support given to us by the people of all nationalities throughout the country.

In conclusion, Comrade Dangzin said: Some 60,000 party members and some 2,000 leading cadres at and above the county level throughout our region must always remember the two phrases of "working for" and "serving" the people of Xizang.

Zhang Shaosong, political commissar of Xizang Military District, also spoke at the rally. He declared: The Army must learn from localities. The Army and localities must help, supervise, and promote each other. They must work unceasingly hard to achieve a fundamental turn for the better in the party style of the whole region.

XIZANG'S WU JINGHUA AT OPENING OF SPORT MEET

HK241140 Lhasa Xizang Regional Service in Mandarin 1130 GMT 17 Mar 86

[Excerpts] The third Lhasa City sports meet opened in the City People's Stadium on 16 March. (Jiangcun), chairman of the Lhasa City Physical Culture Committee, presided over the opening ceremony. Mayor of Lhasa City Dainba Gyaincain spoke at the opening ceremony. Taking part in this sports meet were 14 teams of all county, district, and city subordinate organs of Lhasa City, with a total of 221 players.

Leading comrades of the regional party and government, including Wu Jinghua, Pagbalha Geleg Namgya, Doje Cering, Dangzin, Shengqin Luosangjianzan, and Huokang Suolang Bianba, and the principal leading comrades of Lhasa City attended the opening ceremony and watched the exhibition match.

XIZANG RADIO COMMENTARY ON CORRECTING PARTY STYLE

HK241217 Lhasa Xizang Regional Service in Mandarin 1130 GMT 17 Mar 86

[Station commentary: "Correcting Party Style Has a Bearing on the Overall Situation"]

[Excerpts] The regional CPC Committee held a rally on correcting party style to mobilize and arrange the work of correcting the party style of our region, particularly correcting the party style of the organs of the region and Lhasa City. The regional CPC Committee has proposed that this be a year of down-to-earth implementation and that it is necessary to be subordinate to and to serve economic construction -- the center -- and to do well in grasping three important matters:

1. It is necessary to conduct education in going further in negating the Cultural Revolution, in eliminating leftist ideological influence, and in straightening out the ideological line; and to unify ideological understanding.
2. It is essential to carry out structural reform and to do well in organizational building.
3. It is imperative to correct party style and to realize a fundamental turn for better in party style.

The target of these three important matters is one -- basing everything on Xizang's realities, doing everything to develop the productive forces of Xizang, and doing everything for the well-being of the people of Xizang. Of these three important matters, unifying ideological understanding is the foundation, structural reform is the guarantee for organizational building, and correcting party style is the guarantee for correcting work style.

In the previous period, we conducted education in going further in three respects and unified thinking relatively well. This created a good foundation for structural reform and correcting party style. At present, we are stepping up structural reform. At the same time, we are grasping the correction of party style. The target of structural reform is in line with the target of correcting party style. A turn for the better in party style will speed up structural reform and structural reform will impel a further turn for better in party style. After we have done well in structural reform and correcting party style, a fundamental turn for the better in the general mood of society and high efficiency in social production will surely be brought about and the development of productive forces will be promoted, thus guaranteeing that the people of Xizang will get rich.

However, we must clearly see that many problems at present still exist among some party member cadres in ideology and work style. Some individual problems are fairly serious. These problems mainly show that some party organizations and leading cadres have lacked revolutionary devotion to their work and a sense of responsibility, that bureaucratism is serious, and that they are extremely irresponsible and have neglected their duties. This has caused serious losses to, and waste of, state property, and even endangered people's lives. Although these unhealthy trends have occurred among a small number of people, the influence is very bad. They have corrupted a number of cadres, impaired the party's prestige among the masses, and adversely affected our party's excellent tradition in the work concerning nationalities. They have hindered organs from giving play to their functions and roles and sabotaged the relationship between the party and the masses. At the same time, they have given some people with ulterior motives opportunities that can be exploited to their advantage. They have caused serious losses to our region's economic work.

Leadership organs and leading cadres must take the lead and set an example in correcting party style. We must begin grasping specific cases and resolutely investigate and deal with cases of violation of discipline. We must strengthen ideological education within our party, strengthen party spirit, straighten out discipline, put inner-party life on a sound basis, and, at the same time, strengthen leadership and strictly implement the policies. So long as we penetrately and persistently grasp this work to the end, we can surely realize a fundamental turn for better in party style on schedule.

BEIJING RALLY ON TRANSFER OF ARMED FORCES DEPARTMENTS

SK221004 Beijing BEIJING RIBAO in Chinese 11 Mar 86 p 1

[Text] On 10 March the municipal CPC Committee and government and the Beijing Garrison cosponsored a mobilization rally to study and work out plans for the work of transferring district and county people's armed forces departments to the local organizational system.

After the transfer of district and county armed forces departments, their work personnel will be included in the local establishment, and their status and tasks will remain unchanged. They will be subject to the dual leadership of district or county CPC committees and governments and military organs at higher levels. In order to make the transfer smooth, the municipal CPC Committee and government and the Beijing Garrison recently established a municipal ad hoc leading group for the work, with Jin Jian, deputy secretary of the municipal CPC Committee, as its leader, and Feng Mingwei, vice mayor, and He Shangchun, deputy commander, and Wang Yancheng, deputy political commissar, of the Beijing Garrison as deputy leaders.

At the mobilization rally, Mayor Chen Xitong extended welcome to the cadres of the armed forces departments who will work in the locality on behalf of the municipal CPC Committee and government. He said: The transfer of district and county armed forces departments to the local organizational system is very significant to the strengthening of army and militia building. The municipality, as well as all districts and counties, should put this work high on their agenda, and carry it out conscientiously. All district and county CPC committees and governments should exert their utmost efforts to help solve the practical problems arising in the transfer, and make good arrangements for the cadres of the armed forces departments. He also praised these cadres for their contributions to the building of the two civilizations in the capital, and urged them to carry forward the fine traditions of the people's army continuously after being transferred to work in the locality, and make new contributions to the economic construction and the defense reserve strength of the capital.

Yan Tongmao, deputy commander of the Beijing Military Region and concurrently commander of the garrison, and Li Jinmin, political commissar of the garrison, also spoke. They set forth specific requirements for the transfer and for militia work after the transfer, and pledged to complete the transfer tasks efficiently, with high standards and with the best mental attitude, realizing first-rate achievements; to transfer to the locality good leading bodies which are of one mind and have sound trends and vitality, and with which both the military and the locality are satisfied; and to open up a new situation in the militia and reserve service work of the capital.

Jin Jian, deputy secretary of the municipal CPC Committee, presided over the rally. Attending were Feng Mingwei, vice mayor, and He Shangchun, deputy commander, and Wang Yancheng, deputy political commissar, of the garrison.

HEBEI STARTS TRANSFERRING ARMED FORCES DEPARTMENTS

SK201204 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 6 Mar 86

[Text] The work of transferring county, city, and district people's armed forces departments to the local organizational system has been started in our province. Recently the leading group in charge of the work of transferring county, city, and district people's armed forces departments to the local organizational system under the provincial people's armed forces department held the first meeting to conscientiously study the relevant documents of the central authorities; to determine the time, methods, and steps for carrying out the work; to study the plans for the work made by the county,

city and district people's armed forces departments, to decide on carrying out the work on a trial basis in Pingquan and Huanghua Counties and Shijiazhuang City's (Tangan) District; and then to sum up and study the experience. The work will be comprehensively carried out in April and finished by the end of May.

The meeting called on all prefectoral and city military subdistricts and people's armed forces departments to conscientiously study the guidelines of the instructions of the central authorities and the Central Military Commission, to deeply understand the great significance of this structural reform, and to educate the broad masses of cadres, fighters, and workers of the people's armed forces departments to take the whole situation into consideration, to abide by discipline, and to conscientiously implement the decisions of the CPC Central Committee, the State Council and the Central Military Commission. Simultaneously, the meeting called on the people's armed forces departments at all levels to strengthen the leadership over the transfer work so as to ensure a successful accomplishment of the work.

SHANXI 'GOOD SONS AND DAUGHTERS' DELIVER REPORTS

HK250211 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 24 Mar 86

[Excerpts] The Shanxi provincial "good sons and daughters are everywhere" report group held its first report meeting in Taiyuan on 24 March. The report group is composed of outstanding representatives of educated young people from Beijing and Tianjin who have been working in Shanxi for more than 10 years. Leading comrades of the provincial CPC Committee and government Li Ligong, Wang Jiangong, Bai Qingcai, Zhang Weiqing, and Guo Yuhuai attended the meeting.

Provincial CPC Committee Deputy Secretary Wang Jiangong presided. (Wu Zhengguo), deputy secretary general of the provincial CPC Committee and leader of the report group, spoke on the reports delivered in Beijing by some members of the group.

Comrade Li Ligong spoke after five members of the group had delivered reports. He said: The more than 15,000 educated young people from Beijing and Tianjin who have been working in Shanxi for many years have devoted great efforts in the spirit of pride as good sons and daughters. They have sweated with the people of the province to build up Shanxi and made major contributions in this endeavor. The provincial CPC Committee and government call on the people of the province, especially the young people, to learn from the comrades of this report group.

CNA VIEWS REASONS FOR CONVENING SIXTH NPC

OW270407 Taipei CNA in English 0245 GMT 27 Mar 86

[Text] Taipei, March 26 (CNA) -- The Chinese Communist Party has recently decided to convene the fourth meeting of the Sixth "People's Congress" after it encountered a series of setbacks in carrying on with its reform programs, improving its party discipline and easing conflicts between factions, an expert in mainland Chinese affairs said in Taipei Tuesday. The expert, who asked not to be identified, said the participants in this meeting, which opened in Peiping Tuesday afternoon, are expected to pass the so-called "Seventh Five-Year Plan", a very conservative program worked out by the Peiping regime after it discovered many defects and loopholes in its previous economic reform programs. Although Peiping has recently launched another propaganda campaign aimed at covering its mistakes and boasting of its economic achievements over the past few years, most political observers here believe that Peiping will never succeed in easing dissatisfaction among the Chinese people who have been suffering from many side-effects of the economic reforms, such as rising commodity prices, he said. The expert also said that the Chinese Communist Party's discipline has worsened to a level that it has never experienced over the past 30 years. These problems derive from a wrong system not being capable of correction simply by eliminating a group of corrupt officials, he said in referring to a new wave of party rectification campaigns launched by Peiping. He predicted that disputes between pragmatists and conservatives in mainland China will continue or even become worse in the future, judging from the recent fight between leaders of the two groups -- Teng Hsiao-ping and Chen Yun -- over the leadership in the party.

EDITORIAL STUDIES ADB MEMBERSHIP NAME ISSUE

OW250643 Taipei CHINA POST in English 20 Mar 86 p 4

[Editorial: "No Name Change in Asian Development Bank"]

[Text] Foreign Minister Chu Fu-sung's statement Saturday that the Republic of China "should not and cannot" return to governmental world organizations by changing its name should be carefully noted by all concerned. Minister Chu made the above statement to the Legislative Yuan last weekend in answer to a question whether the ROC could accept the arrangement of the Asian Development Bank (ADB) and return to the other world organizations under the ADB formula. He also told the legislators that "We should not sacrifice our years of struggling for a short-sighted flexible policy." Minister Chu's opinion is quite right and there should not be any argument to the contrary. Otherwise, we would fall into the Chinese Communist trap of treating the Republic of China as a local government, thus seriously violating our sovereignty and integrity.

In this connection, we should warn the United States not to accept the secret agreement reached by the ADB authorities with the Peking regime. The U.S. Congress approved an amendment to the Appropriation Bill last year stating that if the Republic of China should be discriminated against by the ADB in its membership, the United States is required to withdraw from the ADB and cease to contribute to its funds. So far, the United States has not stated its position on the recent development in the ADB concerning the latter's five-point secret agreement with the Peking regime. It should lose no time in making its position known to the ADB authorities concerning the sacred status of the Republic of China in the ADB, which does not permit any tampering or change without its full agreement. The United States is also obliged by the Taiwan Relations Act (TRA) to protect the ROC's position in international financial institutions. Since the Reagan administration has paid so much lip service to its determination to observe the TRA, it is high time to do so through actual deeds. Meanwhile, we should not repeat the same mistake of accepting the Olympic formula in taking part in international sports events. The compromise was a great mistake and should not be done again.

I. 27 Mar 86

C H I N A
HONG KONG MEDIA ON CHINA

W 1

HSIN WAN PAO COMMENTS ON GULF OF SIDRA INCIDENT

HK261304 Hong Kong HSIN WAN PAO in Chinese 26 Mar 86 p 1

[*New Talk* column: "U.S. Motives in Its Second Armed Action Against Libya"]

[Text] The battle between the United States and Libya in the Gulf of Sidra has been going on for 2 days now. The action should be halted.

Let us look at these two countries: The United States has a population exceeding 200 million, while Libya has only 2 million. On one side is a Western superpower with great economic strength; on the other is an African nation covered by desert and with economy depending solely on oil. However, the two have opened fire despite the sharp imbalance in power. Moreover, this is the second conflict in recent years. Naturally there is something wrong in this.

The direct dispute is whether the Gulf of Sidra can be considered high sea. The Libyan strongman Al-Qadhdhafi says that the south of the 32 degrees north latitude in the Gulf of Sidra belong to Libya, and marks this point as Libya's "line of death." Whosoever crosses it will be severely dealt with.

The United States asserts that all the waters of the Gulf of Sidra are high sea, and should U.S. warships be attacked on the high seas, they will counterattack.

The Gulf of Sidra is not the only disputed body of water in the world, so why should war have broken out in this place alone? The causes should be looked for elsewhere.

Plane and ship hijackings took place along the Mediterranean coast one after other at the end of 1985, and were said to be related to Libya. The United States was ready to take military action. However, taking various reactions into consideration, the action was temporarily put off and a blockade was imposed instead, with few nations following suit.

The United States refrained from armed action 3 months ago, but it has now sent three of its aircraft carriers along with several dozen warships to Libya's gate, provoking a fight. How did this change come about?

As is universally known, Libya is closely tied to the Soviet Union. The Geneva summit between U.S. President Reagan and the Soviet leader Gorbachev just concluded in November 1985, and it was arranged that reciprocal visits of the two parties would take place in 1986. The atmosphere then was rather harmonious. Therefore, even if there was friction between the United States and Libya, the former would not take rash action.

Now the gap between the United States and the Soviet Union on nuclear disarmament has widened, and the U.S.-Soviet summit might hit the rocks. The United States has fewer misgivings in affecting U.S.-Soviet relations, and the armed action in Libya might serve as an antagonistic posture toward the Soviet Union.

Another reason may be the internal change in Israel. Since Labor's Shimon Peres took office, the voice for peace of the Israelis has grown stronger. The socialists are in power in those countries on the north Mediterranean coast such as Greece, Italy, and Spain. The United States knows very well that the governments of these south wing NATO countries do not wish to see danger on the Mediterranean coast; however, it has purposefully made waves in the Mediterranean by means of the Sidra incident.

I. 27 Mar 86

W 2

CHINA
HONG KONG MEDIA ON CHINA

The United States is clearly assuming a posture such that one has to take into consideration the U.S. attitude toward the situation on the Mediterranean coast. Now that the United States has already made its showdown, the one who refuses to acknowledge the "line of death" has crossed it, and the one who proclaims resolutely safeguarding the "line of death" has counterattacked, it does not make any sense for the conflict to go on. This armed action of a big power like the United States will inevitably draw direct or indirect opposition and attacks from all sides.

YE XUANPING SAYS YE JIANYING IN 'STABLE' CONDITION

HK260310 Hong Kong WEN WEI PO in Chinese 26 Mar 86 p 1

[Report by reporters' group: "Ye Xuanping Tells Reporters That Marshal Ye Is in Stable Condition"]

[Text] Beijing, 25 Mar -- In view of a report from Tokyo about Marshal Ye being in critical condition, a group of reporters today surrounded Ye Xuanping, who has come to Beijing to attend the NPC session, and asked him about his father's health. Ye Xuanping said that his father stays at home every day and that he is in a stable rather than critical condition.

RENMIN RIBAO CHIEF EDITOR, DEPUTIES APPOINTED

HK250506 Hong Kong WEN WEI PO in Chinese 25 Mar 86 p 1

["Special dispatch" from Beijing: "Tan Wenrui Recently Appointed Editor in Chief of RENMIN RIBAO"]

[Text] Authoritative sources here have confirmed that RENMIN RIBAO's Editor in Chief Li Zhuang has been replaced by former Deputy Editor in Chief Tan Wenrui and that three deputy editors in chief, namely, Lu Chaoqi [7120 6389 4388], Fan Rongkang [5400 2837 1660], and Li Renchen [2621 0088 5256], have also been appointed.

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